

## Japan Knew of Illegal Exports, Says Toshiba Resisted Inquiry

TOKYO — Japan knew about Toshiba Corp.'s illegal high-technology exports to the Soviet Union 19 months before arresting anyone, officials said Thursday.

However, the officials said, Toshiba consistently spurned government efforts to uncover information about the exports, which

U.S. Congress, leading the Senate to vote for a ban on importing goods from Toshiba.

A MITI official said the agency was told in December 1985 and in June 1986 that Toshiba Machine Co., a Toshiba Corp. subsidiary, might have illegally shipped milling machines to Moscow between 1982 and 1984.

The 1985 information came from the Paris-based regulatory agency, the Coordinating Committee on Multilateral Export Control, or COCOM, and the 1986 report came from the United States.

COCOM controls the export of high-technology equipment to Communist countries by Japan and most North Atlantic Treaty Organization nations.

A MITI official said those initial reports were insufficient to demand an investigation. MITI said it relied on the veracity of Toshiba Machine officials to discount the reports.

It was not until December 1986 that a full inquiry was

launched, after the U.S. Defense Department provided detailed information that the machines were being used to make the advanced submarine propellers.

Two Toshiba Machine executives were arrested last month. Mr. Iwata said Toshiba Machine had initially told MITI it had exported equipment capable of making generators and turbines.

Later investigations showed the machines, together with computer software supplied by a state-owned Norwegian company, Kongsberg Vapenfabrikk, enabled the Soviet Union to vastly improve its submarine fleet by making the propellers nearly noiseless.

The exports reportedly earned the companies \$17 million in sales. The U.S. Senate voted 92-5 on Tuesday to ban for at least two years all imports by Toshiba and Kongsberg Vapenfabrikk.

The action, which still must be approved by the House of Representatives and President Ronald Reagan, would cost Toshiba between \$3 and \$4 billion, analysts estimate.

A Foreign Ministry official said Thursday that the developments in Congress might affect U.S.-Japan relations.

Yukio Okamoto said, "The government of Japan does not plan to protect Toshiba from U.S. congressional action, although such harsh provisions being deliberated in the American Congress are certainly not conducive to normal relationships."

Toshiba's chairman and president resigned Wednesday. The two executives said they took responsibility but that the parent company had no control over the illegal sales by its subsidiary, in which it holds a 50.8 percent ownership.

The U.S. commerce secretary, Malcolm Baldrige, and a spokesman for the U.S. State Department on Wednesday both denounced the Senate plans.

MITI has banned Toshiba Machine from exporting to Communist countries for one year.



## Hussein Takes Waldheim on a Tour of Jordan

President Kurt Waldheim of Austria chatting with King Hussein on Thursday as they looked over the heights of Um Qeis, near where Israel, Syria and Jordan meet. Earlier, they visited a

museum to see scenes of Arab battles against the Turks and against Israel, and Hussein piloted a helicopter to take Mr. Waldheim, at the end of a two-day visit, over the Jordan Valley.

## Seeking Iranian, Police Circle Embassy in Paris

By James M. Markham  
New York Times Service

PARIS — A diplomatic confrontation between France and Iran sharpened Thursday as Prime Minister Jacques Chirac's spokesman officially confirmed that police were looking for an Iranian whose testimony is sought in connection with a bombing campaign in Paris in September.

The French police set up controls around the embassy on Tuesday, prompting similar retaliatory measures at the French mission in Tehran, where four French diplomats are posted.

In Tehran, Prime Minister Mir Hussein Mousavi warned Wednesday that "popular forces" might react to "pressure or limitations against our citizens and our diplomats abroad."

Denis Baudouin, spokesman for Mr. Chirac, confirmed Thursday that the police outside the Iranian mission were looking for Wahid Ghorji, an intimate of Ayatollah Ruhollah Khomeini who French security officials believe was linked to a wave of bombings in France that took 13 lives last autumn.

Last month, the French police broke up what appeared to be an Islamic fundamentalist terrorist network, arresting 34 persons, expelling 22 others and seizing a cache of methyl nitrate explosives in the Fontainebleau forest south of Paris.

Mr. Ghorji attended a news conference at the Iranian Embassy in Paris Thursday,Agence France Press reported from Paris. Iran's charge d'affaires, Ghobad Reza Hashemi, said at the conference that the French authorities knew that Mr. Ghorji had been at the embassy since his Paris apartment was raided by the police.

[The French Foreign Ministry denied the Iranian assertion. A spokesman also said the ministry had "clearly told" the embassy that Mr. Ghorji had to give himself up "without delay" to the legal authorities.]

The son of an Iranian doctor who cared for Ayatollah Khomeini during the ayatollah's sojourn in a Paris suburb nine years ago, Mr. Ghorji has acted as an embassy interpreter but has been identified by security sources as an important agent. He does not have diplomatic status or immunity.

Immediately after the Paris attacks, the police investigating the case operated on the basis that the explosions were the work of a Lebanese Maronite Christian clan that was seeking the freedom of an imprisoned extremist, Georges Ibrahim Abdallah.

But the two investigating magistrates in the case have widened the scope of the inquiry and appear to be exploring the theory that Iran was implicated in the bombings.

The Chirac government's willingness to enter a public confrontation with Iran reflects, according to French officials, a consensus that the French authorities have reached: that the Iranian revolutionaries are unlikely to be helpful in freeing French hostages thought to be held in Lebanon.

## Jury Indicts LaRouche On Obstruction Charge

WASHINGTON — Lyndon H. LaRouche Jr., the political extremist who has said he is a candidate for the U.S. presidency, has been indicted by a federal grand jury on a charge of conspiracy to obstruct justice, according to court documents released Thursday.

The indictment, handed up Tuesday by a grand jury in Boston, accused Mr. LaRouche of ordering subordinates in his political organization to stall the grand jury's investigation of alleged fraud by his followers and of plotting to "fix" and "quash" the grand jury.

Mr. LaRouche, who testified before the grand jury Monday, left the country after his testimony and is now in West Germany, prosecutors said. They said his attorney, Odin T. Anderson, has told the government that Mr. LaRouche will surrender to federal authorities next week.

He had been abroad for seven months before returning to the United States to testify.

Mr. LaRouche, 64, espouses eccentric theories of world conspiracies that allege prominent Americans and world leaders are involved in drug-dealing or are agents of Soviet influence.

The grand jury in Boston has heard evidence from an investigation into alleged fraud by LaRouche followers in raising money for his 1984 presidential campaign, and of allegations that top aides in the LaRouche organization conspired to block that investigation.

The grand jury last year indicted

## Scandals Shake Israeli Security Service

By Glenn Frankel  
Washington Post Service

JERUSALEM — The Shin Bet, Israel's legendary internal security service, is suffering the aftershocks of two scandals that have shaken its foundations and lent credence to longstanding Palestinian allegations that its agents frequently torture Arab prisoners and perjure themselves in court.

The unwritten code under which the agency was given tacit permission to use "unconventional" and at times brutal methods to combat Palestinian resistance and terrorism in the occupied territories has been shattered.

A judicial inquiry into the service's methods of interrogation has been started, as has a police investigation. It is estimated that half of the high command of the organization has quit or been forced to retire in the past year.

Damaged, too, has been the Shin Bet's reputation as a dedicated and unselfish protector

that for 20 years has been Israel's main tool in its war against terrorism.

The catalyst for this crisis were two incidents in which top Shin Bet officials were shown to have abused the powers entrusted to them.

In one, the Shin Bet's head, Avraham Shalom, ordered the killing of two captured Palestinian bus hijackers. When a subsequent cover-up began to unravel, Mr. Shalom sought to shift the blame to an Israeli Army general and ultimately to Prime Minister Yitzhak Shamir.

In the second, senior Shin Bet operatives used illegal interrogation techniques — cold showers, sleep deprivation and blackmail threats — to wring a false confession from Izat Nafsu, a non-Arab Moslem who was a lieutenant in the Israeli Army. The agents then lied in court about their actions. The Israeli Supreme Court upheld Lieutenant Nafsu's appeal in late May.

Some argue that the agency has been a victim

of its success, that its effectiveness has helped make Israel a relatively safe society where security concerns occasionally take second place to other values.

"This is progress, this is how democratic states are made," said Ariel Merari, a terrorism expert at the Jaffee Center for Strategic Studies. Senior members of the agency, deeply angered and troubled by the abuses they perceived, were the main whistle-blowers on the Shin Bet's activities.

The result is an organization at war with itself. Morale is low and confusion high about what is accepted procedure and what is not. Palestinian security detainees, the people who reportedly have most suffered at the hands of the Shin Bet, are the least likely to benefit from the reappraisal of its practices.

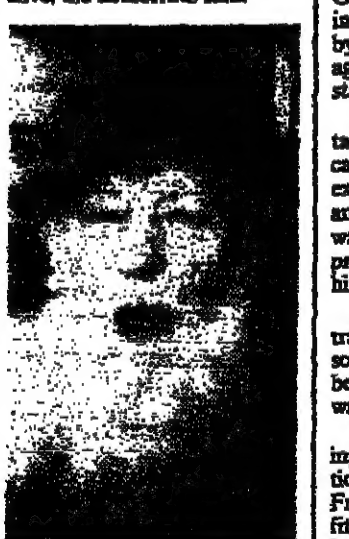
Despite reversal of the Nafsu case, many human rights lawyers say they do not intend to seek judicial review of any cases, even though

See ISRAEL, Page 7

## Kiosk 18 Aliens Die In Texas Boxcar

SIERRA BLANCA, Texas (AP) — The bodies of at least 18 illegal aliens were found Thursday inside a locked boxcar on a freight train, the authorities said.

The aliens, who had boarded an eastbound Missouri Pacific freight train at El Paso on the Texas-Mexico border, were found dead about 12 hours later when U.S. Border Patrol agents inspected boxcars 90 miles (145 kilometers) southeast of El Paso. One person was found alive, the authorities said.



Karl Linnes, deported by the United States to Estonia to face a death sentence as a Nazi criminal, has died at 67. Page 7.

## GENERAL NEWS

■ The U.S. plan to explore better ties with Syria came after moves against the Abu Nidal organization. Page 2.

■ U.S. Democratic presidential candidates gathered for a debate, and Mr. Reagan took the toughest punches. Page 3.

## TRAVEL

■ Normandy, a rich province of warriors, explorers and chateau-builders. Page 9.

## SPORTS

■ A Polish cyclist is leading the Tour de France. Page 19.

■ Navratilova and Graf reached the Wimbledon final. Page 19.

## BUSINESS/FINANCE

■ U.S. unemployment fell to 6.1 percent in June, the lowest since late 1979, but the figure was regarded as skewed. Page 13.

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# U.S. Says It Misread Soviet Intelligence

By David B. Ottaway  
Washington Post Service

WASHINGTON — The United States has "consistently underestimated" Soviet intelligence capabilities for the past 15 years and has wrongly assumed that superior U.S. counterintelligence technology would thwart Soviet efforts to penetrate the new U.S. Embassy in Moscow, according to a State Department study.

The Soviet Union's planting of electronic listening devices in the unfinished building was "both foreseeable and foreseen," said the report written by James R. Schlesinger, who was appointed in January by the State Department to study security problems at the embassy. "But as a nation, we have failed to anticipate the boldness, thoroughness and extent of the penetration," the report said.

A former secretary of defense and director of central intelligence, Mr. Schlesinger assessed the security damage to the eight-story main embassy building, or chancery, in Moscow. The 14-page report was released Wednesday.

The techniques used to bug the building "with a full array of intelligence devices" are so sophisticated that the United States even today does "not yet understand either the technology or the underlying strategy" behind them, according to the report. Some conclusions were made public earlier this week when Mr. Schlesinger testified before Congress.

In his report and comments at a subsequent news conference, Mr. Schlesinger echoed earlier criticism that the Reagan administration particularly and the U.S. government generally have not taken the Soviet intelligence threat seriously enough.

Mr. Schlesinger said it had been "uphill sledding" for such critics and conceded that once "a gradual dawning" of the extent of the Soviet threat permeated the government, the State Department "was one of the last to get on board."

But he also said that there had been "no standard performance" among the U.S. intelligence agencies and departments, adding "the blame is upon all of us as a nation."

Mr. Schlesinger's recommendations to Congress included rebuilding the top three floors of the chancery and construction of a six-floor annex for top security functions at a cost of \$35 million to \$40 million, beyond the \$192 million appropriated for the embassy complex.

Mr. Schlesinger said Moscow was "imaginatively exploitive" of surveillance technology used by intelligence services around the world. The United States had "no comparable advantage" in this field, he said, and should be "learning from the Soviets."

The United States had been unable until very recently to detect even with X-ray machines the sophisticated Soviet devices implanted in prefabricated concrete pieces used in building the chancery's walls and floors.

Since Washington and Moscow reached an agreement in 1972 providing for the construction of new embassies by both governments, the Schlesinger report said, "the United States government consistently underestimated the determination and ability of Soviet intelligence organizations to penetrate the new chancery building."

"To counter Soviet efforts, heavy reliance was placed upon what was then seen as superior U.S. technology and ingenuity to counter Soviet efforts," the report said. "In retrospect, it is evident that U.S. confidence in its early ability to neutralize that effort was misplaced."

## Soviet Says Talks To Ban Chemical Arms Are Stalled

The Associated Press

GENEVA — The Soviet Union said Thursday that negotiations on a chemical weapons ban are stalled, charging that a French proposal to guarantee all countries a security reserve of poison gas had created a new obstacle.

Ambassador Yuli A. Nazarkin, at the 40-nation Conference on Disarmament, also called on the United States to clarify its position on some points of a draft chemical arms ban, especially on provisions for international inspections to guard against cheating.

He said that another problem was ensuring control over chemical weapons production by foreign subsidiaries of multinational corporations.

Mr. Nazarkin criticized U.S. plans to start producing so-called binary chemical weapons this year as inconsistent with efforts for early conclusion of a ban. "At present the negotiations are clearly marking time," Mr. Nazarkin said.

The conference has been negotiating a convention banning production, stockpiling and transfer of chemical weapons since 1968.

## DENIAL: Reports on Arms

(Continued from Page 1)

thing near a proposal, was made on the side of the general."

On the contrary, the spokesman said, the talks have bogged down in several disputes related to nuclear weapons and Mr. Reagan's plan for a space-based anti-missile system.

Mr. Pyadyshov cited as remaining obstacles the U.S. insistence on maintaining warheads for 72 West German medium-range missiles, a "new and arbitrary" U.S. proposal for counting long-range nuclear warheads, and the lingering dispute over compliance with the 1972 anti-ballistic missile treaty.

Soviet and U.S. officials have said in the past month that they were aiming informally for a Reagan-Gorbachev summit meeting in late September or October, and that remaining differences seemed resolvable.

"If there is no desired progress at the talks, what for and with what will the Soviet minister go to Washington?" he said. "In order to be drawn into talk on issues, a solution to which has been slowed down by the U.S. delegation in Geneva? This does not suit us."

Mr. Pyadyshov also disclosed that the U.S. ambassador in Moscow, Jack F. Matlock, met with Mr. Shevardnadze on Tuesday and delivered a message to Mr. Gorbachev from Mr. Reagan. The spokesman declined to discuss the contents, but a U.S. official said it was not related to arms control.



FLOODING, STORMS IN SWITZERLAND — Pedestrians wading on a street in Oberburg, Switzerland, where a river overflowed following a heavy thunderstorm. Storms have caused flooding and landslides in central Switzerland, killing two persons.

## Soviet Said to Name Air Defense Chief

The Associated Press

MOSCOW — The officer believed to be in command in the Soviet Far East when a Korean airliner was shot down in 1983 was identified Thursday as the new chief of Soviet air defense forces.

The military newspaper Krasnaya Zvezda reported that the officer, General Ivan M. Tretyak, had addressed senior Communist Party members of the air defense forces on the role of Communists in strengthening military preparedness.

The former head of the country's air defense, Chief Marshal Alexander I. Koldunov, was dismissed May 30 by the Politburo after a 19-year-old West German piloted a single-engine plane across the Soviet Union, landing in Red Square.

General Tretyak was named commander of the Far Eastern military district in May 1976. Western military attaches in Moscow said he apparently was the commander in September 1983 when a Soviet fighter shot down a Korean Airlines jumbo jet that had strayed into Soviet airspace. All 249 people on board the Boeing 747 were killed.

In its report on the flight in May of Mathias Rust to Red Square, the Politburo said the plane had been spotted by radar and Soviet fighters, but that nothing was done to stop it.

## U.S. Finds Moored Mines in Gulf

By Bernard E. Trainor  
New York Times Service

WASHINGTON — About a dozen moored mines have been found by U.S. specialists in shipping lanes to Kuwait in the last four days, according to Pentagon officials.

There were conflicting reports as to whether they had been destroyed. The use of moored mines is a new development in six and a half years of war between Iran and Iraq. It comes at a time when the U.S. Navy is preparing its first escort of 11 Kuwaiti tankers, registered and sailing under the U.S. flag, into the Gulf sometime next week.

The mines were found moored in international waters in the busy Al-Ahmedi channel. Kuwait has declared a 10-mile (16-kilometer) exclusion zone around the mines and is rerouting shipping.

Defense Department sources say the mines, which are assumed to have been placed by Iranians, are more a nuisance than a threat, but they cannot be ignored.

Kuwait has supported Iraq against Iran, and Iran's forces have frequently attacked ships bound for Kuwait.

Four ships have struck mines in the Gulf since mid-May but none have sunk. It was thought at first that some of the mines were free floating, dropped by the Iranians, or perhaps that they had broken loose elsewhere.

It is not known when or how the mines were placed. Iran does not have special mine-laying ships, but it does have speedboats that have been operating in the upper Gulf.

A 19-member team of U.S. mine specialists, in the Gulf to study the mine threat, discovered the mines. Measures can be taken to neutralize or destroy them but it is uncertain whether this has been done. A Pentagon official said he believed the mines had been destroyed, but a navy officer said they were still in place, with their sites marked to warn ships.

Experts in Washington said that, if needed, the United States could deploy specially equipped mine-sweeping helicopters, as was done three years ago when mines were found in the Red Sea.

■ **Iraq Hits Iranian Tanker**  
An Iraqi warplane hit the Iranian supertanker Dena in the northern Gulf on Wednesday, the fifth time the vessel has been hit in the Gulf war, Lloyd's Shipping Intelligence reported Thursday, Reuters reported from London.

Shipping sources said the vessel had just left Dubai, in the United Arab Emirates, after repairs from the previous strike. Lloyd's said the tanker was not loaded and no injuries were reported.

## Dutch Back European Brigade Plan

Reuters

THE HAGUE — The Dutch Defense Ministry said Thursday that the Netherlands would contribute troops to a combined West European unit if Bonn's plan for a French-West German joint military brigade succeeded.

Defense Minister Willem van Eekelen had reacted "very positively" to the West German proposal to use such a brigade as a step toward a united European fighting force, said the ministry's spokesman, Cent van Vliet.

The minister raised the subject in parliament on Wednesday night, but Mr. van Vliet said he had yet to discuss it with Bonn or Paris. "It is his intention to participate in this brigade," he said of Mr. van Eekelen, adding that there are many technical questions, but that "the main point was to display political will," Mr. van Vliet said.

Last month, Chancellor Helmut Kohl of West Germany suggested France and West Germany set up the unit to strengthen the European pillar of the North Atlantic Treaty Alliance. Bonn later said other countries could also take part.

He said the Dutch were the first to voice support for "this good idea," but other countries would probably follow.

As part of existing NATO military arrangements, up to 5,000 Dutch troops and 800 air force personnel are based in West Germany.

France, a member of NATO but outside its military structure, has reacted favorably to Bonn's brigade idea.

Mr. van Vliet said Mr. van Eekelen would probably use the newly assumed Dutch chairmanship of the West European Union, a seven-

## U.S. Seen Closer to Showdown In Panama

By John M. Goshko  
Washington Post Service

WASHINGTON — The Reagan administration, protesting alleged Panamanian government involvement in demonstrations at the U.S. Embassy in Panama City earlier this week, has closed the consular section and the library of the embassy.

The move, which occurred Wednesday, was seen as pushing the Reagan administration closer to open confrontation with Panama's military leader, General Manuel Antonio Noriega.

The State Department spokesman, Charles E. Redman, said the United States had protested "in the strongest possible terms" demonstrations held at the embassy Tuesday by about 5,000 people, who included high-ranking Panamanian officials and political supporters of General Noriega.

The incident "will have a significant and negative impact on relations between the United States and Panama," Mr. Redman said. The closing of the embassy sections was the latest in a sequence of events this week that has pushed the Reagan administration away from its previous neutrality in the political crisis gripping Panama.

Instead, the administration has started making unmistakably clear its previously private view that the 20,000-member Panamanian Defense Forces should defend the political situation in Panama by removing General Noriega, the commander, whose control of the country has been violently protested by students and political dissidents.

Western defense attaches said it also was not certain when General Tretyak left the Far Eastern district, which is based in Vladivostok, but that he had recently been working in Moscow.

Students throwing stones clashed with riot policemen outside Panama's National University on Thursday as protesters against the government continued for the second consecutive day. Reuters reported from Panama City.

(Meanwhile, thousands of Panamanians waved white handkerchiefs in the streets, sounded car horns and banged pots and pans from apartment balconies to express discontent with the government.)

The strongest signal of U.S. discontent with the situation in Panama was sent Tuesday night in a speech to the Washington World Affairs Council by Elliott Abrams, assistant secretary of state for inter-American affairs.

After repeating the U.S. position of neutrality and saying "Panama's solution must be home-grown," Mr. Abrams added:

"The old complacency inside and outside of Panama over the inevitable dominance of the Panamanian Defense Forces in the nation's politics is gone."

"Military leaders," he said, "must remove their institution from politics, and any appearance of corruption and modernize their forces to carry out their large and important military tasks in defense of the canal."

Although Mr. Abrams mentioned no names, his remark was certain to be interpreted in Panama as a reference to General Noriega.

For years the general has been dogged by persistent charges of involvement in murder, drug activities, electoral fraud and intelligence dealings with President Fidel Castro of Cuba that are inimical to U.S. security interests.

According to U.S. officials, Mr. Abrams' remarks were intended to suggest to the Panamanian officer corps that General Noriega's notoriety had become a liability to its ability to control events within Panama, and that he should be removed.

But, the officials acknowledged, it is unclear whether the situation will be seen in those terms by a military establishment that has been loyal to him.

## WORLD BRIEFS

### 100 Feared Dead in Nepal Floods

KATHMANDU, Nepal (AP) — More than 100 people are feared to have died in floods that swept down eastern Nepal's Sunkoshi River, destroying hundreds of houses and disrupting communications, officials said Thursday.

The floods, on Monday and Tuesday, also damaged a Chinese-built hydroelectric station on the river near the Tibetan border. Repairs are expected to take at least three months.

There was also extensive damage to the highway linking the Tibetan capital of Lhasa with Kathmandu. The road was badly damaged by floods in 1980 and was restored by Chinese technicians at a cost of more than \$40 million.

### Protests Slow Choice of Italy's Leaders

ROME (AP) — Amid protests by neo-fascists, feminists and environmentalists, Italy's legislative convening Thursday. Voting for speaker of the Chamber of Deputies was delayed by continual protests and other interruptions.

Former Prime Minister Giovanni Spadolini, a Republican, was elected president of the Senate the previous house. The selection of leaders for the Senate and Chamber of Deputies has been linked to a solution of Italy's government crisis.

Bettino Craxi, who resigned as prime minister in March in a power struggle between the Socialist and the Christian Democratic Party, backed Mr. Spadolini for the Senate presidency and Nilda Iotti, a Communist, as speaker of the Chamber of Deputies. Christian Democrat leaders have indicated they would accept those candidates if they were given the post of prime minister.

### Violence Ebbs, Strike Mounts in Haiti

PORT-AU-PRINCE, Haiti (AP) — A general strike Thursday shut down four major cities for the third day this week, but no violence was reported as organizers continued to demand the resignation of Haiti's ruling military-civilian council.

At least seven persons were reported killed earlier in the week and 65 wounded in clashes between demonstrators and heavily armed soldiers. The anti-government protests were the largest since those that forced President Jean-Claude Duvalier to flee the country in February 1986.

The strike, which resumed after a one-day lull Wednesday, was organized by civil, political and religious groups to protest an electoral decree that gave the three-man council supreme control of the presidential elections in November from the constitutionally appointed electoral commission.

### Police Kill 2 Blacks in South Africa

JOHANNESBURG (Reuters) — The South African police said Thursday they had shot and killed two black men in an upsurge of political violence in black townships.

The clash took place in the Natal province township of Enkelaile when the police said they intervened to stop a group of blacks who were shouting at a police station. The police said they opened fire when an officer was struck with a machine gun.

In addition to the two deaths, the police reported making two arrests. No other details were given.

### U.S. Panel Questions North in Private

WASHINGTON (UPI) — Lieutenant Colonel Oliver L. North was questioned privately for nearly two hours Wednesday by congressional investigators regarding President Ronald Reagan's knowledge of the diversion of funds from U.S.-Iranian sales to support the Nicaraguan rebels.

He was last questioned seven months ago about what Mr. Reagan knew. Then, Colonel North told Senators General Edwin Meles 3d that he had never discussed the diversion with the president and did not believe Mr. Reagan had ever received a memo drafted by Colonel North regarding the diversion of funds to the rebels.

Colonel North was officially granted immunity Tuesday by the House and Senate committees investigating the Iran-contra affair and thus is protected from being prosecuted for anything he says to the committee, unless the testimony is proven false.

He is scheduled to appear for public questioning beginning Tuesday.

### Swedish Navy Fires on Suspected Sub

STOCKHOLM (Reuters) — Swedish naval ships fired depth charges and grenades at a suspected foreign submarine Wednesday night off the north Swedish coast, but military officials said that the submarine probably slipped away.

The hunt began when navy conscripts training in the Gulf of Bothnia spotted what they described as "unusual water activity." It was the same area where an unsuccessful hunt for an intruder took place in 1983.

Since Sweden's annual "submarine-hunting season" began after the winter ice melted, reports of sightings, mainly by civilians, have been reaching the military almost every day.

### For the Record

An independent Chinese newspaper will be launched in December, AsiaWeek Ltd., a subsidiary of Time Inc., said in Hong Kong on Wednesday. The magazine, 11 years in the making, is to be called Yashou Zhoushan and aim for an international circulation of 38,000 in the first year.

Michael J. Deaver has lost a last-ditch bid to stop his perjury trial set to begin in two weeks. William H. Rehnquist, chief justice of the United States, refused Wednesday to delay the trial until the legal system decides the constitutional issue of the independent prosecutor handling Mr. Deaver's case.

Robbers cut off the hands of Juan Peron, the Argentine president who died 13 years ago, after sneaking into his tomb last week and smashing open his casket, a judge said Thursday. The robbers are demanding \$8 million for the return of the bones and several articles belonging to Peron. (AP)

### Correction

Because of an editing error, the timing of the expected retirement of Lord Carrington as NATO's secretary general was misstated in an article Thursday. The retirement is expected next summer.

## U.S.-Syria Talks Linked to Abu Nidal Expulsion

By Elaine Sciolino  
New York Times Service

WASHINGTON — President Ronald Reagan's decision to send a special envoy to Damascus to explore improving relations was a response to Syria's closing of offices of the Abu Nidal Palestinian terrorist group, according to administration officials.

The officials said Wednesday that the focus of the trip by Vernon A. Walters, the chief U.S. delegate to the United Nations, would not be the fate of the nine American hostages held by Iranian-backed Shiite militia forces in Lebanon, although they acknowledged that the hostages would be discussed.

Mr. Walters is expected to arrive in Syria within two weeks. The plan for his trip resulted from a letter by Mr. Reagan to President Hafez al-Assad urging high-level talks.

In Moscow, Mr. Walters said after meetings with Soviet officials Thursday that he would fly to China later this week in a campaign for a UN Security Council resolution demanding an end to the Gulf war. The Associated Press reported.

The letter from Mr. Reagan was drafted after it became apparent that Mr. Assad had closed the Damascus offices of Abu Nidal, who was expelled and condemned to death by the mainstream Palestine Liberation Organization a decade ago and whose group is believed to have carried out attacks in the Rome and Vienna airports in 1985.

The presence of Abu Nidal representatives had been a major stumbling block to improving U.S.-Syrian relations.

Early last month, Syrian security forces confiscated documents and literature from the Abu Nidal office, sealed them and deported dozens of members who did not have Syrian passports, State Department officials said.

U.S. officials said they were also heartened by evidence that Mr. Assad's former chief of air force intelligence, Major General Mohammed Khuli, had been removed or demoted as chief security adviser. Mr. Khuli was implicated in an attempt to smuggle a bomb aboard an El Al airliner at London's Heathrow Airport in April 1986.

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مکان الامم



# Reagan's Choice for Supreme Court: A Committed Conservative With Many Facets

By Stuart Taylor Jr.  
New York Times Service

WASHINGTON — Judge Robert H. Bork, President Ronald Reagan's choice for the Supreme Court, is a multifaceted man with a powerful and restless intellect.

He is a committed conservative who has accused the Supreme Court of usurping the powers of elected officials in dozens of decisions over the past 30 years, including those that protect abortion rights.

He is confirmed by the Senate over the passionate opposition of liberals. Judge Bork may be in a position to cement a majority on the sharply divided court to restrict or reverse many of those decisions.

His record suggests he would move the law of the land sharply to the right on issues such as the death penalty, homosexual rights, government aid to religious schools, sexual harassment of women, access to the courts, presidential power, the constitutionality of the special prosecutor law, antitrust matters and, perhaps, affirmative action.

Judge Bork, 60, has publicly said the court was wrong to recognize a constitutional right to abortion.

But while Judge Bork's legal philosophy coincides with Mr. Reagan's positions on many key issues, his views on some subjects have changed significantly over the years and he has broken sharply with fellow conservatives on occasion, most notably on federal law.

He is known by admiring friends and former professional associates across the political spectrum as a deep thinker of engaging wit and firm integrity who has worked comfortably with people who do not share his strong conservative philosophy.

In articles written before he became a judge, he has deplored the Supreme Court's decisions upholding abortion as a constitutional right as "unconstitutional judicial imperialism," while at the same time opposing legislative efforts to overrule the decisions as dangerous encroachments on the court's role in defining constitutional rights.

He has called for drastically restricting some categories of free speech, such as sexually explicit speech and advocacy of overthrowing the government, while taking an expansive view of "political" speech and, in the context of libel suits by public figures, of the freedom of the press.

Judge Bork, a former Yale law professor, was solicitor general of the United States from 1973 to 1977 and was appointed by Mr.

Reagan in 1982 to the U.S. Court of Appeals for the District of Columbia.

His nomination to the Supreme Court, announced Wednesday, is a threat to civil rights despite his sometimes liberal positions as solicitor general, and have not forgiven him for following President Richard M. Nixon's order to dis-

independent of the president could be unconstitutional.

Such legislation was adopted in 1978, and Judge Bork's position on it is of particular interest because it is being challenged now by two former aides to Mr. Reagan who are now targets of pending investigations by special prosecutors. The issue is almost certain to come before the Supreme Court.

Opponents also have drawn attention to what they call the shocking racial insensitivity of a 1963 magazine article in which Judge Bork denounced a major civil rights bill to bar hotels, restaurants and other private businesses that serve the general public from refusing to serve blacks.

Calling such proposals a dangerous "departure from freedom of the individual to decide with whom he will deal," the article called civil rights demonstrators "a mob" of "other private individuals in the exercise of their freedom."

Judge Bork said then that "the danger is that justifiable abhorrence of racial discrimination will result in legislation by which the morals of the majority are self-righteously imposed on a minority," that is, upon white racists. The idea of legislating morality in this man-

ner, he said, was "a principle of unsurpassed ugliness."

But Judge Bork said in a 1973 hearing on his nomination to be solicitor general that he had taken "the wrong tack" in that article and had come to believe in the ban on racial discrimination in public accommodations, which Congress passed in 1964.

The general objection to legislation that enforces majoritarian morality at the expense of individual freedom, which inspired Judge Bork in 1963 to defend the freedom of whites not to deal commercially with blacks, contrasts with the rationale of Judge Bork's 1984 ruling that "private, consensual homosexual conduct is not constitutionally protected."

In that case, he specifically rejected the argument of a man discharged from the U.S. Navy for homosexual conduct that the moral preferences of the majority, in particular majority disapproval of homosexuality, could not be a constitutional basis for legislation.

"This theory that majority morality and majority choice is always made presumptively invalid by the Constitution attacks the very predicate of democratic government," Judge Bork said. He added that it would render unconstitutional valued legislation "about civil rights,

though civil rights lawyers assailed him Wednesday for having opposed at that time court-ordered school desegregation by means of busing.

Judge Bork has said little if anything publicly about current civil rights issues, in particular job preferences for women and minorities.

Reagan administration officials privately express confidence, however, that he would share its view that racial preferences benefiting women and minorities who cannot personally prove themselves victims of discrimination at the expense of white men are illegal.

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Robert H. Bork

passionately opposed by many liberals, who say they fear that he would provide the fifth vote to overrule or cut back the court's abortion decisions and other liberal rulings.

They also view Judge Bork as a

miss Archibald Cox as the first Watergate special prosecutor on Oct. 20, 1973.

Seventeen days later, as acting attorney general, he warned Congress that proposed legislation to make the next special prosecutor

## In Democrats' Debate, Reagan Takes the Punches

By E.J. Dionne Jr.  
New York Times Service

HOUSTON — The seven Democratic contenders for president sparred gently here Wednesday night in the first major debate of the 1988 campaign. They fired salvo after salvo at President Ronald Reagan, but hardly a shot at each other.

Sixteen months before voters go to the polls to elect the next president, the Democrats clearly found common ground.

They said a candidate's programs should be judged by their potential effect on children. They insisted on the need to move rapidly toward arms control. They bemoaned a lack of moral leadership by the Reagan administration, using the Iran-contra scandal as a touchstone. And they said U.S. economic leadership was in jeopardy.

The Democrats met in an unlikely forum, a special edition of "Firing Line," the television program hosted by William F. Buckley Jr., the conservative commentator.

Mr. Buckley invited all of the announced Democratic candidates: Bruce Babbitt, the former governor of Arizona; Senator Joseph R. Biden Jr. of Delaware; Governor Michael S. Dukakis of Massachusetts; Representative Richard A. Gephardt of Missouri; Senator Albert Gore Jr. of Tennessee; and Senator Paul Simon of Illinois.

The Reverend Jesse L. Jackson, who has not yet announced his candidacy, also was present. Speaking last, and in a sense summarizing the others had said, Mr.

Jackson declared: "In 1988, we must not just change presidents. We must change our direction."

All the candidates laid down what is certain to be the core of the Democratic argument in 1988: the sense of a nation adrift in the Reagan period.

"There's anxiety in the country about where we're headed in the economic future," Mr. Gephardt said. "What we've been lacking in the last seven years is strong leadership."

Mr. Biden said that members of the present young generation are the first in 100 years whose standard of living is in danger of falling below that of their parents.

Mr. Dukakis and Mr. Babbitt, as candidates with experience as governors, chided the president for what they said was his inability to make choices on the budget. Mr. Simon, an unabashed liberal, said the administration had clearly moved the country in "the wrong direction."

In their closing statements, the candidates repeatedly voiced their concern for the future, their faith in the American people and their belief that the current Republican administration had failed to exercise moral leadership.

Mr. Gore spoke of the need to "rekindle the American spirit, regenerate a sense of national purpose." Mr. Biden recalled that the president's duty was "not only to preside over government but to lead society," and said he could inspire the country's "sense of justice."

Mr. Gephardt called the years of the Reagan administration "an illusion." He added: "Ronald Reagan has tried to make us feel good. Now we have to do good."

Mr. Dukakis called for a government that can "once again create a foreign policy for this country that respects American values."

Mr. Babbitt asserted that "America is not in charge of its future" and said that in his candidacy, "We have an opportunity to take charge."

Mr. Jackson said that Democrats must "not just follow a path, we must blaze a trail."

The debate was likely to help all the candidates, who are still relatively unknown.

As expected, no candidate scored anything like a knockout blow, and there were no major blunders.

Mr. Gore, who has been searching for a voice, showed signs of finding it with vigorous statements on arms control and a pledge to dismiss anyone who lied to Congress or stole from taxpayers. He also jousting skillfully with Mr. Buckley on the president's proposal to build an anti-missile system in space.

But all the candidates were largely successful in steering the debate to their favored themes.

Mr. Babbitt said the debate reflected the fact that the Democrats have become "a far more centrist party than we were four or eight years ago."

One sign of concord among the Democrats was their eagerness to debate Mr. Buckley instead of each other.

Paul Tully, Mr. Dukakis's campaign manager, said his candidate had sought to use Mr. Buckley as "a surrogate for Reagan, for a set of values and a style."

A dramatic moment in the debate came when Mr. Buckley asked Mr. Jackson about a toast he had made to President Fidel Castro on a visit to Cuba. Referring to the political prisoners the Cuban leader held, Mr. Buckley asked if the toast had meant a "long life for Castro and a short life for his prisoners?"

Mr. Jackson replied that he, too, wished that Mr. Castro would "change his ways." But then he noted that at the end of that same visit he had brought home 30 Americans who had been held prisoner.

The only point on which the candidates came close to opening an intraparty fight over issues came in regard to trade.

Mr. Gephardt vigorously defended his tough amendment to the trade bill as not being "protectionist." He called it an effort to "put action behind the words" used to demand that U.S. trading partners open their markets.

But Mr. Biden indirectly attacked Mr. Gephardt's amendment. And Mr. Dukakis came across as the most unabashed free-trader.

He noted that six million Americans are dependent on exports for their jobs and argued that even if all foreign markets were open to American goods, the trade deficit would still be in excess of \$100 billion.

## Kemp Outlines An AIDS Policy In U.S. Speech

New York Times Service

WASHINGTON — Representative Jack F. Kemp has become the first U.S. presidential candidate to provide a detailed outline of what his policy would be for dealing with the AIDS epidemic.

The program the New York Republican proposed Wednesday to check the spread of acquired immune deficiency syndrome would stress mandatory testing of immigrants, health workers and hospital patients as well as persons undergoing routine checkups, seeking insurance, applying for marriage licenses or arrested for drug use or prostitution.

"When a fatal disease has no cure," Mr. Kemp said in a speech to a conservative political fund-raising committee, "it is only common sense to place the greatest emphasis on preventing its spread."

Mr. Kemp said there was "a growing consensus on the need for testing to determine who is infected" with the virus that causes AIDS.

## U.S.-Saudi Deal on Aid to Angola Rebels Alleged

By Neil A. Lewis  
New York Times Service

WASHINGTON — A California business executive has told a congressional subcommittee that the Saudi royal family provided millions of dollars to anti-government rebels in Angola and told him it was at the behest of William J. Casey, the director of the Central Intelligence Agency.

The executive, Sam J. Bamieh, testifying Wednesday under oath, said he acted as a go-between for the royal family and several figures in the Reagan administration. Mr. Bamieh's testimony added new details to reports already published.

The reports said that King Fahd and other Saudi officials agreed in 1981 to provide substantial financial aid to several anti-Communist movements around the world as part of an arrangement by which the Saudis would obtain administration support for purchase of advanced radar-equipped reconnaissance aircraft, known as AWACS.

It has been reported that the Saudis provided aid to rebels in Nicaragua, Afghanistan, the Sudan and Somalia, among other nations.

Representative Howard J. Wiene, Democrat of Michigan and chairman of the House Foreign Affairs Subcommittee on Africa, said Mr. Bamieh's testimony about Angola, along with other known facts, provided "strong circumstantial evidence" that the Reagan administration might have violated a congressional ban on providing aid to the Angolan insurgents.

Congress enacted the so-called Clark Amendment in June 1976. Until its repeal in August 1985, it prohibited any direct or indirect aid from the U.S. government to the rebel group, the Union for the Total Independence of Angola, or UNITA.

The State Department has consistently denied violating the Clark Amendment, a position repeated Wednesday by a spokesman. Since its repeal, the administration has

provided millions of dollars in covert aid to UNITA.

Mr. Bamieh, 57, the chairman of a California-based consulting company, testified that in November 1981 he visited Fahd at his home in Riyadh, where he was told of the kingdom's obligation to help finance anti-Communist movements in exchange for the AWACS deal.

Mr. Bamieh said that when asked which anti-Communist movements the Saudis were to finance, Fahd, who was then crown prince, replied: "Any the U.S. wants."

In October 1983, Mr. Bamieh said, he conferred with Ali Bin Mussallam, whom he identified as the ruling family's adviser on North Africa, on the provision of Saudi credits to Morocco.

Mr. Mussallam told him that about 15 million would be funneled to "anti-Communists in Angola," Mr. Bamieh said. He was told by Mr. Mussallam that Mr. Casey had

spoken to Saudi officials about this diversion.

A U.S. intelligence official said Mr. Casey, who died in May of cancer, and Mr. Mussallam had dealings on a number of covert projects in Africa.

Mr. Bamieh said that in February 1984, he met with Prince Bandar bin Sultan of Saudi Arabia in Cannes.

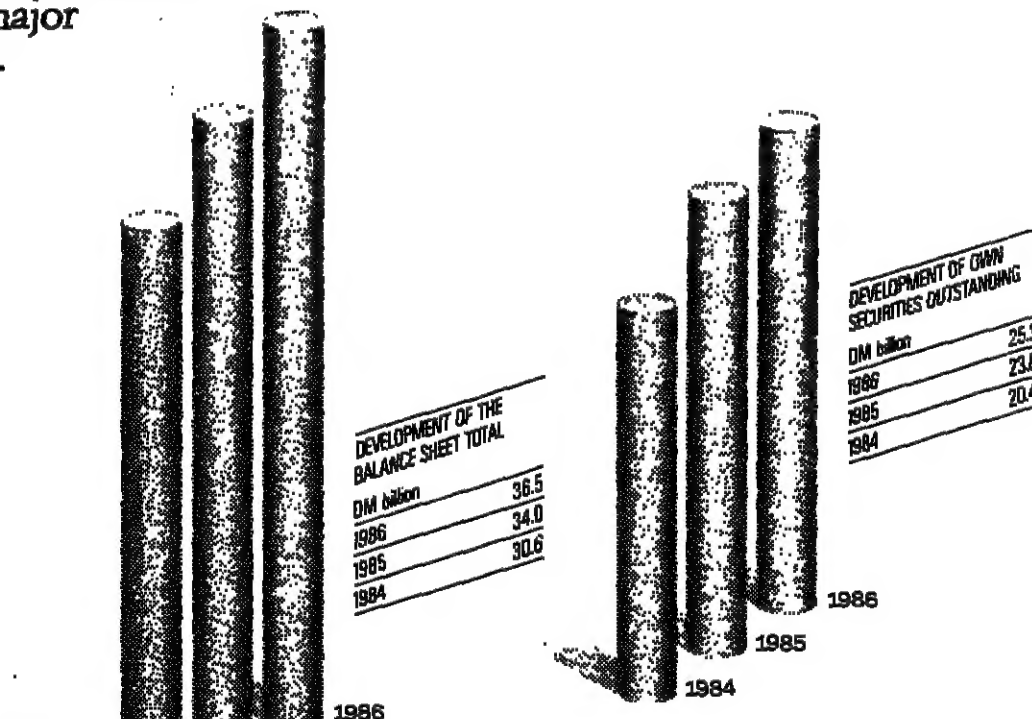
He said that Prince Bandar, who is now the Saudi ambassador to Washington, told him the Saudis were interested in establishing a venture to provide materials to rebels in Central America, Afghanistan and Angola as well as oil to South Africa.

He said Prince Bandar told him that "at this very moment" Fahd and Mr. Casey were discussing the same matters on a yacht off the coast of the French Riviera.

The Saudi embassy here declined to comment on Mr. Bamieh's testimony.

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Deposits by Banks	11,287	9,504
Deposits by Non-Bank Clients	2,345	1,790
Own Debtors in Circulation	20,637	20,628
Capital and Published Reserves	620	615
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## N.Y. Surveillance Of Blacks Is Tied To Radical Group

Reuters

NEW YORK — Police surveillance of blacks considered to be radicals has touched off a storm in New York after news reports that the authorities have compiled information on 200 community leaders.

Civil liberties lawyers said they were considering filing suit against the police department.

Police Commissioner Benjamin Ward, who is black, denied Wednesday that there was widespread monitoring but did say at a news conference that police were investigating a group called the New York Eight. He did not explain why intelligence reports were filed on meetings of black groups where no members of the New York Eight were present.

Members of the New York Eight, a group of self-proclaimed black revolutionaries, were acquitted two years ago of conspiring to free two men jailed for the 1981 robbery of an armored car, but were convicted on weapons violations.

Mr. Ward said that tape recordings of shows on a radio station owned by Percy Sutton, a former Manhattan borough president who once ran against Mayor Edward I. Koch, had been ordered by a senior officer, Robert J. Johnston Jr.

"I would like to state unequivocally that the Police Department does not engage in any monitoring of the black community or its leadership," Mr. Ward said. He said police were trying to keep abreast of issues in the black community.

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## OPINION

## 'She Goes Not Abroad in Search of Monsters'

By Edwin M. Yoder Jr.

WASHINGTON—Some of the best lines on the July 4 heritage were written nearly half a century after the fact by John Quincy Adams, who, as the son of one of the draftsmen of the Declaration of Independence, could claim a sort of apostolic authority. "Wherever the standard of freedom and independence has been or shall be unfurled," said Adams, "there will America's heart, her benedictions and her prayers be."

The right of revolutionary self-determination, which the draftsmen and signers of the Declaration had borrowed from the English Whig revolutionaries, has been among mankind's more contagious and beneficial ideas.

Governments, it was stated on July 4, are "instituted among men, deriving their just powers from the consent of the governed." Governments, that is, are made, not God-made; and when they persistently abuse natural rights, they may be justly altered or abolished.

The declaration called this philosophical mouthful "self-evident," or at any rate claimed that the right of revolution flowed from self-evident truths.

But self-evident truths are not self-executing. And Independence Day is always a good time to ask, between hot dogs, whether Americans are keeping the faith as others struggle to lay claim, in their own way, to life, liberty and the pursuit of happiness.

The answer, as usual, is: They are faithful in their fashion.

It is, as always, easier to be faithful to self-determination when the results are convenient than when they are not. Americans are more enthusiastic about

pleasant calling card: the National Guard of the Somozas, the instrument of half a century of despotism.

The contrast, Mr. Reagan has often said, remind him of the U.S. founding fathers. No statement could more clearly reveal the difference of perceptions over which Americans are arguing today. No doubt some of the contrast are pure-at-heart democrats. Others are nostalgic Somozas followers, border ruffians, cattle rustlers and brutal marauders in unarmored peasant villages. Would Washington and Jefferson, Franklin and Adams, be flattered by the comparison? It seems unlikely.

The president, in a reference to his foreign policy in a recent speech, cited luminous lines of John Quincy Adams about U.S. support "wherever the standard of freedom and independence has been unfurled." He mysteriously omitted the lines that immediately follow: "But she goes not abroad in search of monsters to destroy. She is the well-wisher to the freedom and independence of all. She is the champion and vindicator only of her own." Some things Washington claims to be doing for freedom and independence in Central America would be hard to square with those qualifications. They look too much like monster-hunting.

Like all political ideas, even the best ones, the principle of revolutionary self-determination is hard to apply consistently. But seldom has the United States quite so brazenly revised the ideal as it has in reference to Nicaragua. After 211 years, the ideal itself remains sound. The application, as always, needs work.

Washington Post Writers Group.



## When 'New Age' Men Cheer The Devil in Themselves...

By Garrett Epps

WASHINGTON—If Gloria Steinem became a town planner, she might dream up a community like the one I live in, Chapel Hill, North Carolina. Populated largely by academics, knowledge workers and "new age" types, Chapel Hill is a haven for couples who want to bring up families away from the competitive rat race. In Chapel Hill, fathers work flexible hours to stay home with their children, share household duties (and sometimes jobs) with their wives, and talk earnestly about T. Berry Brazelton, the child-care expert, and Carol Gilligan, the feminist author. But last Saturday, when I went to see "The Witches of Eastwick," a strange thing happened. Near the end, Jack Nicholson, vomiting feathers and cherry pits, storms into a tiny New England church and asks the stunned congregation, "So what do you think? Women—a mistake? Or did He do this to us ON PURPOSE?"

## MEANWHILE

The crowd went wild. And not all the cheering came from male throats. Some of it was because Nicholson, as the devil, gives the performance of a lifetime. But the rest was a social straw in the wind — another sign that the American male may be beginning a long-overdue comeback.

John Updike's novel was set in the late '60s, when American women were just beginning the long revolt that has stood institutions on their ears and corrected some genuine abuses. But Updike's story has been transformed into a postfeminist fable, a story of strong women who don't know what to do with their new power.

Alexandra (Cher), Jane (Susan Sarandon) and Sookie (Michelle Pfeiffer) find the men in their small New England town, like a lot of men in the '80s, either stuffed shirts or wimps. Clicking their martini glasses, they conjure up a real man, "a tall dark prince traveling under a curse." A few days later, Satan Tremestris himself, traveling under the name of Daryl Van Horne, moves into town.

Jack Nicholson is the man Satan would be if he had the nerve. He smokes cigarettes, he eats white sugar, he's a politician, he falls asleep during chamber music concerts, he laughs at joggers, he dresses badly and he cheats at tennis. But he has one redeeming virtue — he doesn't worry about pleasing women, or, for that matter, anyone but himself.

Cher tells him, "You are the most unattractive man I have ever met in my entire life... You are physically repulsive, intellectually retarded, morally reprehensible, vulgar, insensitive, stupid, you have no taste, a lousy sense of humor and besides, you smell." A few minutes later, she falls into his arms; not long afterwards, so do the other two women.

Watching Nicholson, I found myself asking the question a lot of men (and women) are asking these days: What has

## LETTERS TO THE EDITOR

## Avoiding, Not Evading

Regarding "European Tax Pact Adopted" (June 27) by Axel Krause:

The International Chamber of Commerce does not represent or issue statements "on behalf of employer associations in 107 countries." The ICC is the world business organization, and its membership is made up of individual companies and industry, services and trade associations in 110 countries.

Further, the ICC categorically condemns tax evasion. Its arguments against the OECD/Council of Europe Convention on Mutual Administrative Assistance in Tax Matters are based on legitimate business concerns.

The ICC's arguments have been a matter of public record since 1985, and can be summarized as follows:

- The convention is superfluous; sufficient regional, multilateral and bilateral treaties between OECD countries to combat tax evasion are already in place.
- The convention fails to distinguish between tax evasion and the legitimate avoidance of taxes.
- The convention does not provide adequate legal safeguards for the rights of taxpayers, such as preliminary hearings and business confidentiality.
- The convention lacks adequate safeguards against double taxation.
- The convention does not have clear standards for the exchange of information between tax administrations, and its implementation could lead to unwarranted and open-ended "fishing expeditions."

HANS KONIG,  
Secretary-general, International  
Chamber of Commerce, Paris.

## Stop Blaming Kuwait

William Safire's allegations against the ruler of Kuwait, in "Put an End to Kuwaiti Blackmail" (June 19), are unfounded and lack objectivity.

The writer fails to mention that Kuwait is a small country that lives in peace and provides its people with free health care, free education, free housing and one of the highest living standards in the world. It is an oasis of peace not only for its citizens but for the hundreds of thousands of foreigners who have flocked there to share in its wealth.

Asking the superpowers to protect shipping in the Gulf is not blackmail, but a way of making them face up to their long-standing promise to protect this strategic part of the world and international shipping. By asking both Moscow and Washington for protection, Kuwait has proved its neutrality.

Mr. Safire cannot blame the authorities for arresting Kuwaitis who bombed oil installations and public facilities. Or for helping Iraq financially — which every other Arab state should have done long ago, especially since Iran is refusing to stop this senseless war.

If anyone is to be blamed, it is the

## The Wrong Communists

Michael Leiter's opinion column "Philippines: Communists in a Quandary" (June 24) contains an error. The advertisement he mentions as having been placed in a Manila newspaper by the Communist Party of the Philippines (CPP) was actually placed by the Partido Komunista ng Pilipinas (PKP). While this literally translates as the Communist Party of the Philippines, the PKP, the pro-Soviet traditional Communist party which led the Huk rebellion in the 1950s, has no connection with today's CPP, which controls the New People's Army (NPA) and is Maoist in orientation.

The distinction is not academic. The CPP is a real threat. The PKP, reduced to advertising its presence, is a joke.

RICHARD J. KESSLER,  
Senior Associate,  
Carnegie Endowment for  
International Peace, Washington.

United States, for all its empty promises and inefficient foreign policy. America is proving to be an unreliable ally. This is turning away many of its friends.

HUSAM ALMUFTI,  
Kuwait.

## Labor: Something Left

Regarding "A Turning Point in History: British Socialism's Demise" (June 18):

The Labor Party finishes second in an election and George Will announces the death of socialism. What would he have announced if it had finished third? Given the fact that socialism currently rules the lives of about 1.5 billion people, this seems a trifle precipitate.

By the way, if Mr. Will checks a political map of Britain, he will find that the socialists, undeterred by their reported demise, romped in Scotland.

ARTHUR LINDLEY,  
Singapore.

## Production Priorities

Regarding the opinion column "Poison Is Replacing Reason in U.S.-Japan Disputes" (June 18) by Gerald L. Curtis:

A recent cartoon in North American newspapers shows Uncle Sam feverishly shoveling dollars and manpower into the cavernous furnace of military pro-

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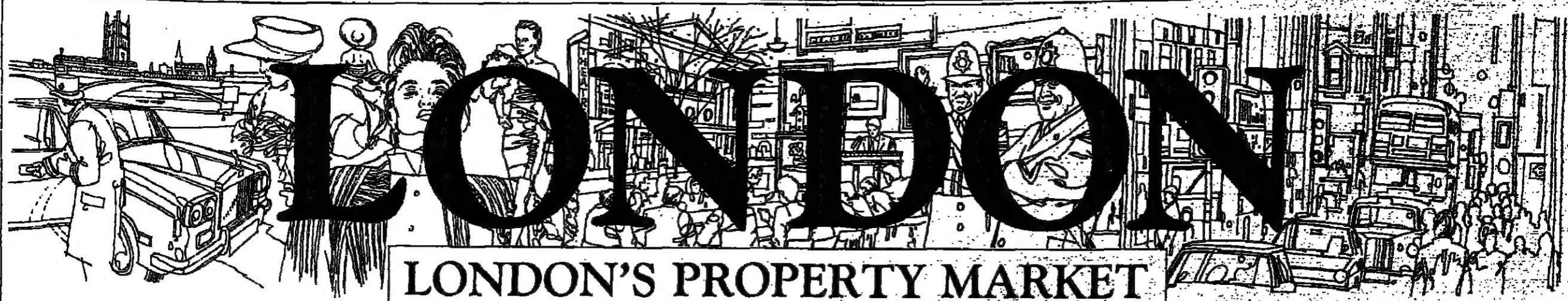
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# LONDON

## LONDON'S PROPERTY MARKET

### Penthouses on the Up and Up

**B**ecause domestic staff were traditionally accommodated in attics, the highest floor in British homes has always carried the lowest status. But now height is on the up and up, and London is following the Manhattan precedent where penthouses are top homes for top dogs. Apartments which elevate you to rarefied heights above your fellows command an enthusiastic market here and premium prices.

By dictionary definition, a penthouse is a humble shed with roof sloping against a higher wall or a small house on another building's flat roof. So some developers are cashing in on the vogue by calling any top-floor garret among the chimney pots and TV aerials "the penthouse suite". However, it is generally accepted that the real McCoy should be a duplex (or more) at the top of the building, command spectacular views over the city, attain a degree of luxury with spacious rooms, en-suite bedroom with bathroom and a substantial balcony, terrace or roof garden.

Most of the glossy London agents agree that such penthouses attract a special type of buyer - extrovert, successful, cosmopolitan. Says *Asen Chase's Mark Pollack*: "They're expensive people who want lots of space but are too busy to cope with the hassle of taking on a big house and garden."

Avril Bull, of *De Groot Colis*, comments: "Perhaps it is a question of style. I find pent-

houses are markedly individual, even eccentric."

*Hampton & Sons* partner Linda Beane believes that the popularity of the penthouse depends on the fact that it offers a different style of living from the rest of a block of flats "and so appeals to the individual who wants to stand out from the herd."

Paradoxically, in the public sector, the herd seems to stam-

pede at the very idea of height.

Tower blocks are rated a disaster area and social workers take the view that tall buildings are the pits. Families have been housed at the topmost levels with the result that children end up virtual prisoners and grow into a generation of staircase delinquents. Compounded by an abysmal standard of maintenance, many council-owned tower blocks have been allowed to deteriorate into crime-ridden, graffiti-daubed slums.

Wandsworth Council's Livingstone Estate was clearly in this category when private developers *Regalian* took it in hand last year. It is pouring in £20 million for a refurbishment of the 356 flats in two 19-story towers and five other blocks. The confidence of *Regalian* boss David Goldstone has proved fully justified. It has been renamed *The Falcons*, and buyers of the 200 units already complete are showing substantial capital gains. The top-most tower flats, the very ones which were most difficult to let when publicly owned, now fetch the highest prices.

*Regalian's* current flagship development is the zigzag-style *Free Trade Wharf*, which justifiably claims pride of place on the water's edge in Docklands. Just a few minutes' from Tower Bridge, barely two miles from Bank Station, the penthouses in the central warehouse square there are planned as a City

executive's dream. Judging by the rate at which they are selling, so are the rest of the 171 flats in phase 1, ranging from one-bedders at £162,500 to three-bedders at £312,500.

But the major attraction of *Free Trade Wharf* is the total grand concept, a piazza with sculpture park, Thames-side walk and an infrastructure of elegant shops, wine bars and restaurant, swimming pool, gym and a health and fitness centre.

I don't know the collective term for penthouses - a pinnacle of penthouses, perhaps - but developers *Berkley House* is into this with no fewer than 40 new top-tier penthouses crowning its Bickenhall Mansions refurbishment in the heart of the West End. Most of the apartments will be duplexes with lofty gallery-style living rooms and with balconies on terraces providing panoramic views over London.

The same company is active in Docklands where its *Horselydown House*, part of the

superb *Horselydown Square* project, has attracted a lot of attention. The three-bedroom, three-floored turret penthouse there is a bargain basement winner at £299,500 with its portholes and sun decks reflecting the nautical theme chosen for its riverside site.

*Ladbroke* is another developer with a unique eye for penthouses; so much so that it has its own names for them, *Horizon* and *Skyline* are the terms at 3 Welbeck Street, its £5 million redevelopment of the former *Debenham & Freckbody* department store.

The *Skyline* apartment occupies the top two floors and a massive 1,900 sq ft of living space. There are two double bedrooms/bathrooms, a reception/dining room over 45 ft long. With its sophisticated security, high-tech kitchen and bathrooms, fitted carpets and built-in furniture, the *Skyline* is priced at £550,000 and is rated the last word in luxury. If that's so, then its

back-to-back non-identical twin, the *Horizon*, must be a postscript. At £695,000, it adds a third bedroom and a breakfast room to the *Skyline* inventory, and its reception/dining room is no less than 52 ft long.

Entered through a marbled foyer with 24-hour porterage, both these penthouses and the other apartments in the development - three are available - enjoy a unique location just a few yards from Oxford Street and Harley Street in the heart of the West End. They are served by two high-speed passenger lifts and underground parking is available.

*Ladbroke* also has a *Skyline* apartment in an exclusive, construction of five luxury apartments at 50 Gloucester Square on the Hyde Park Estate. It's entirely new, despite the appearance of the stucco elevations blending so perfectly with its Regency period neighbours - right down to the details of the balustrades which were moulded and cast from the originals. Everything else reflects the best of contemporary materials and design. Each unit, with sweep-

ing curved lines, is an elegant work of art in its own way: two three-bedrooms, three-bathroom duplexes at £485,000 and £495,000, and two four-bedrooms, four-bathroom flats at £625,000, but the *Skyline* duplex is another dimension and another price, £1.2 million.

There are five bedrooms, each with an en-suite bathroom. Two are fully marbled with gold-plated fittings. All have marble top vanity units. There are quality fitted wardrobes, and dressing areas individually designed by David Hicks International. The kitchen is an extravaganza of tasteful high-tech. There are private balconies and a roof terrace.

All buyers have a key to the lush private gardens of Gloucester Square, while Hyde Park and Kensington Gardens are just down the road, as is the "Coca-Cola Village" local shopping centre.

In fact, £1 million seems to be about par for penthouses although the span is wide at £250-£400 a sq ft. A million for instance, is the figure recently

obtained for the three-level summer at the Anchor Brewery conversion in Docklands. Over 1,200 sq ft of terraces provide stunning views over the Thames and Tower Bridge, while the covered space includes a 70 ft living, dining and kitchen zone. There are four bedrooms and a gallery and glazed conservatory with a dramatic cupola.

The latest phase there, the *Malt Mill*, is now being developed with a health and leisure complex with swimming pool fed by a four-level waterfall. The penthouse, on four floors, includes the original cupola and belvedere gallery and a sensational view and has just gone for an even more sensational price - £2.5 million.

Penthouses are so much in vogue that they are being created in private houses as a crowning glory. One is featured as a handsome reception room atop a three-bed roomed riverside period property in Cheyne Walk, Chelsea, which *Farrar Sted & Glyn* is selling for £495,000.

Alec Snobell

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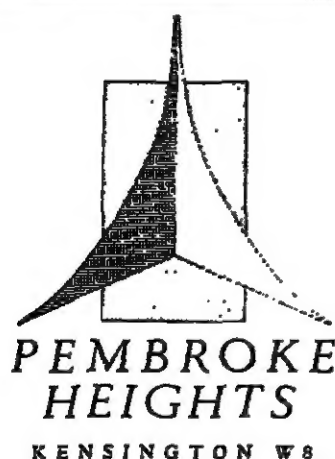
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### Water Power

**T**he businessmen queuing to pay Mayfair mansion prices for London Dockland warehouse conversions are attracted by its proximity to the City. But that's not the only factor. The Thames waterfront has its own magic appeal.

The fact is that when a house overlooks river, sea, estuary, lake or even duckpond, there's a premium price for it. *Savills*, the West End agency, says that this averages around 30 per cent. That was confirmed when it sold identical homes, one with direct water frontage at £195,000 and one without at £150,000.

More finely tuned analysis by David Pollot, partner with *Chestertons Prudential*, reveals a further differential depending on the ebb and flow of the seasons. He knocks five per cent off the premium in winter because January's grey cold waters lose some of their magic.

Besides, there's some vestigial folk memory of flooding from days when "in summer the river is at the bottom of your garden and in winter your garden is at the bottom of the river."

With this hazard now overcome in London by the Thames Barrier, builders are racing to cater for the wet set. Morgan's Walk on the south bank facing Chelsea has been one of the most successful projects. Such long queues formed to snap up the first phase that the developers, *Wates*, promptly withdrew it from the market and came back with higher prices.

On the other side of Battersea Bridge, but the same side of the river, *Swanley's* waterfront residential block sold with equal ease. Of course, the greatest success story is Docklands, but that's old hat now. The latest vogue is marina villages, and they're selling at a rate of knots.

Star project in the capital is the £100 million Chelsea Harbour. A 20-acre site with half-a-mile of Thames frontage, it will eventually house 2,000 buyers who pay from £230,000 for a two-bedroom flat; from £875,000 for four bedroom apartments. Star unit is the three-storey penthouse in the Belvedere Tower, so out-of-this-world that joint agents *Savills* and *Hamptons* don't know what to charge. They intend putting it out to sealed

offers and I expect £2-£3 million to be reached.

There are 75 berths in the yacht harbour and the access locks can take boats up to 60 ft long and 18 ft wide which should accommodate any gin palace you're likely to skipper. There will be a yacht club with full chandlery services as well as gym, swimming pool, shops, restaurant, wine bars, craft studios, market stalls and a 200-bed hotel. First residents moved in April - a pair of nesting mallards. People followed last month.

Another development moving fast enough to leave a wash in its wake is Thames Reach. Located close to Hammer-smith Bridge off Fulham Palace Road, it enjoys a vista across the river and the filter beds of the Barn Elms water reservoir. The 25 units there include three-bedroom penthouses with double-height picture windows and roof terraces (from £595,000) and three-bedroom flats

(£295,000-£325,000), handled by *Savills*.

All such waterside homes - which you can buy off-plan with 10 per cent deposit - are hot properties nowadays, and houseboats are hottest of all. Unfortunately, it's difficult to secure a marine mortgage and security of tenure on some moorings is dicey. Better sink your money in bricks and mortar than float it in a boat.

Alec Snobell



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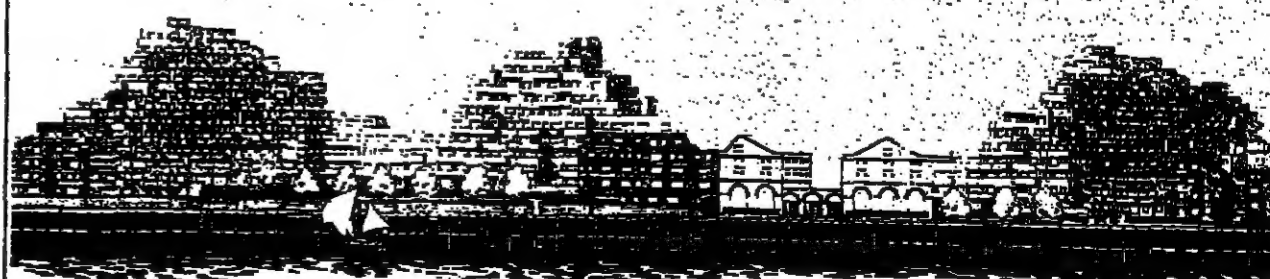
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# Lawyer Calls Barbie A Victim of Media

By Julian Nundy  
International Herald Tribune

LYON — The lawyer defending Klaus Barbie asserted Thursday that a massive news media campaign had made his client look like a monster.

The lawyer, Jacques Vergès, told the jury, which is due to return its verdict on Friday, "Four years of a television and press campaign have put the image of a monster into people's heads."

In a three and a half hour summation, Mr. Vergès sought to show weaknesses in the arguments of the prosecution and the 39 lawyers for civil parties in the case.

Barbie faces a possible life sentence on charges of crimes against humanity for his activities as an SS officer in Lyon under the German occupation of France during World War II.

The court has heard of repeated testimony of torture and beatings at Barbie's hands, as well as accusations that he was involved in mass deportations of people who ended up in Nazi concentration camps.

Seeking to minimize his client's role, Mr. Vergès blamed some of the atrocities committed in the Lyon region just before its liberation in 1944 on the regular German army, the *Wehrmacht*, rather than the SS.

## TRIP: The Road to Yalta

(Continued from Page 1)

inspect our gear at sunset, around 10:30 P.M. Otherwise, both nights in the Russian countryside were uneventful except for a sudden blast of rock music about 1 A.M. from trucks that had pulled over for the night.

A word or two about Soviet trucks: Given the state of the roads, it is a good thing there are no double trailers. Weaving in and out of a row of Kamaz trucks, around pot-holes, is bad enough. Most trucks carry uncovered loads, which provide a display of the Soviet economy on wheels, as spare tires, spare parts, spare engines, trundle past.

In cities, the loads become more varied: cabbages, mattresses, brooms, even bones have been spotted, piled high on truck beds.

Setting out, we were braced for frequent stops at road posts, where uniformed traffic policemen in glass booths keep an eye on things. Our license plate clearly identified us as American correspondents. We saw only two other foreigners cars during the trip.

We were never stopped for a documents check. Apparently the notice of our route had been well distributed. But we were stopped for traffic violations. In three out of four cases, they were for exceeding the speed limit in villages.

"Comrade driver," said a militia-man with a tip of his hat, "this is not a way to drive."

"Why are you being hoodlums?" queried another. Chastened and contrite, we were able to avoid the dreaded punishment on the road, a can lead to loss of driving privileges.

Once we were stopped on a closed road outside Yalta. Such is the hazard of traveling in a country where what is closed is known only to local police and a few officials in Moscow. After creeping over a twisting road in dense fog, we were spotted coming down the mountain and escorted to the local police.

It was only two days after a small airplane piloted by a young West German had landed in Red Square, and the militia started not to cower to take lightly the discovery of foreigners on a closed road.

At the final count, 10 persons were involved in the case, which took three hours and five forms to resolve, culminating in the payment of a fine back in Moscow. We pointed out that an army officer in uniform, whom we had stopped for directions, had been the one to show us the forbidden mountain road. This had no effect.

As we neared Moscow, we wanted to get to the city as soon as possible. We came up with something: road signs, which alert you periodically to telephone, gas, stovetops and "kemping."

Gas was also plentiful, although expensive, at 12 rubles for a 30-liter (5-gallon) tank. The whole trip cost about 100 rubles in gas, or \$162 at the official rate of exchange.

And people were mostly pleasant from the police to the playful driver from Krasnodar who trailed us at high speed along the four-lane stretch in the Ukraine, to the truckers who invariably flashed their lights to warn of speed traps.

It was easier to list what was lacking — cabs, good asphalt and clean restrooms. But, as one Soviet travel writer pointed out, "in many ways, this country is still not prepared for tourists." Particularly those behind a wheel.

## EUROPEAN TOPICS

### Italian Communists In Rare Public Rift

The Italian Communist Party has elected Achille Occhetto as its deputy secretary and heir apparent to the party leadership after an unusual public quarrel. The dispute started last week when Alessandro Natta, 69, the secretary, said he wanted Mr. Occhetto, 51, as his deputy, with a view to turning over the party leadership to him in the near future. Traditionally, Communist Party chiefs have remained in office until removed by death or incapacity.

By forcing a vote, Mr. Natta outmaneuvered the Communists' strong right-wing minority, which had hoped to gain greater influence after the party's defeat in recent general elections.

In the past, Italy's Communists, while acknowledging internal divisions, had tended to rally almost unanimously behind majority decisions once they were made. But this time the rightists opposed Mr. Occhetto's appointment down to the final vote in the Central Committee. L'Unità, the party's paper, focused its headline on the division: "Occhetto deputy secretary. 194 Yes, 41 No, 22 Abstentions." Turin's moderate La Stampa summed it up: "The Communist Party has changed."

Mr. Occhetto, coordinator of the party secretariat, has spent most of his life as a party official. He has long been on the left of the party and belongs to the generation that was formed under the leadership of Enrico Berlinguer, who died in 1984. He is expected to become party secretary before the end of the year.

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### Council of Europe Acts Against Torture

The ministerial committee of the Council of Europe has adopted a convention for the prevention of torture that permits inspection of prisons, police stations and psychiatric hospitals in the council's 21 member countries.

A committee consisting of one representative of "high moral standards" from each member country will have the task of verifying that "persons deprived of their liberty" by the authorities are not subjected to "torture or inhuman or degrading punishment or treatment."

The committee does not have to ask for the countries' approval but it must inform them of planned inspections. The governments concerned may delay inspections but cannot bar them indefinitely.

Although the committee will have no legal power, it will be in a position to exercise pressure.

If a government fails to act on the recommendations included in a first, confidential report, the committee can make its findings public. The convention, which had been in abeyance since 1981 because of reservations by Britain, France and West Germany, will have to be ratified by seven of the member nations before taking effect.

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# Michael Bennett, Creator of 'Chorus Line,' Dies

The Associated Press

NEW YORK — Michael Bennett, 44, who created, directed and choreographed "A Chorus Line," the longest-running musical in Broadway history, died Thursday of lymphoma caused by AIDS.

Mr. Bennett was the ultimate Broadway "gypsy," a dancer in the chorus who went on to become a successful choreographer, director and producer, associated with such hit shows as "Promises, Promises," "Company," "Follies" and "Dreamgirls."

Mr. Bennett died at his home in Tucson, Arizona. He had moved to Arizona in December, 11 months after he had been diagnosed as having acquired immune deficiency syndrome.

It was Mr. Bennett's experience in the chorus that gave him the idea for "A Chorus Line," which won nine Tony awards and the 1976 Pulitzer Prize for drama and is still running at Broadway's Shubert Theater. It opened there July 25, 1975.

The musical grew out of a marathon talk session Mr. Bennett held in a group of dancers. They talked candidly about their careers, lives and childhoods. Out of about 30 hours of taped discussions, "A Chorus Line" was born.

Mr. Bennett was born Michael Bennett DiGiulia in Buffalo, N.Y. His father was a machinist in an automobile plant, while his mother worked as a secretary. Their son started dance lessons at the age of 3.

As a teen-ager, Mr. Bennett studied dance during the summer in New York with such professionals as Auberly Hitchens and Matt Maddox.

He dropped out of high school at 16 to tour Europe in a production of "West Side Story," directed by Jerome Robbins. One of Mr. Bennett's dance idols, Mr. Bennett made his Broadway debut in 1961, dancing in the chorus of the musical, "Subways Are for Sleeping."

He followed that show with roles in other musicals such as "Here's Love" and "Bajour."

Mr. Bennett made his debut as a choreographer in 1966 with "A Joyful Noise." While the show, set against a background of country-western music, was not a hit, his dances were praised by the critics.

In 1968 Mr. Bennett scored his first Broadway success with the dances for "Promises, Promises," the Burt Bacharach-Hal David musical about the movie "The Apartment." The following year, he did the dances for "Coco," an Alan Jay Lerner-Andre Previn musical about Coco Chanel starring Katharine Hepburn.

A year later, he choreographed "Company," the Stephen Sondheim musical about a bachelor in New York and his friendship with five married couples. The show, directed by Harold Prince, ran for nearly 18 months.

In 1971, Mr. Bennett again worked with Mr. Prince, this time as co-director and choreographer of "Follies." The innovative musical, another ambitious Sondheim show, was about the reunion of a group of aging show girls.

Not wishing to be typecast as a choreographer, Mr. Bennett next directed and co-produced "Twigs," a play by George Furey, starring Sada Thompson. It was a modest success.

Mr. Bennett then went to work on "A Chorus Line." The show is simply the story of two dozen dancers auditioning for a new Broadway musical. Each character talks and sings about his or her ambitions, fears and hopes, before eight are selected for jobs in the chorus.

The show became a critical and financial success, not only on Broadway, but around the world. One company toured the United States for seven years. Grosses for the New York company alone have amounted to more than \$116 million.

In late 1976, Mr. Bennett married Donna McKeehan, one of the original members of the cast of "A Chorus Line." He had worked with her previously in "A Joyful Noise," "Promises, Promises" and "Company." But the marriage flourished quickly and the couple was divorced.

In 1978, Mr. Bennett invested — and lost — \$2 million of his own money in "Ballroom," a love story about a widow and a married man who meet in a ballroom frequented by middle-aged people. He produced, directed and choreographed the musical, which had a three-month run.

He rebounded three years later with the hit "Dreamgirls," another show business musical, this time about a black vocal trio not unlike the Supremes who climb to the top of the pop charts despite replacing their lead singer. It recently returned to Broadway.

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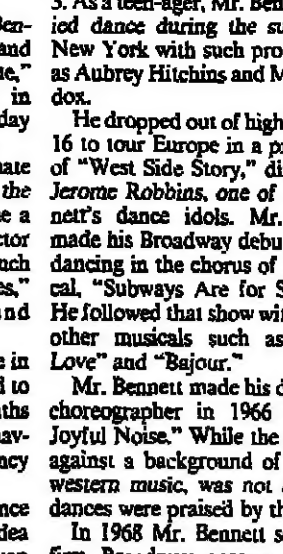
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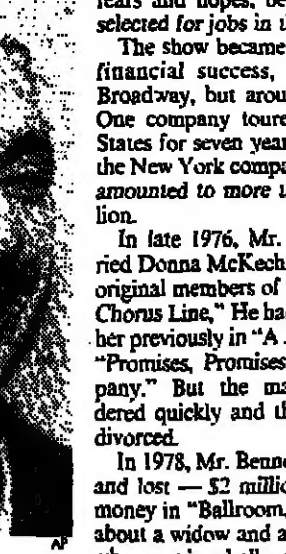
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## TRAVEL

## THE FREQUENT TRAVELER

Half-Price Europe  
In a Coupon Book

by Roger Collis

ARTHUR FROMMER said it was "the greatest thing since chocolate cake." He himself had tried to do something like this ten years ago, but at that time neither European hotels nor restaurants were prepared to listen.

So says David Selikowitz, publisher of "Half Price Europe 1987," a fat book of 657 discount coupons good for 50 percent off or two-for-one offers on hotel rooms, shops and restaurants, car rentals, excursions, museums, concerts, nightclubs, hairdressers and even dance classes and deep-sea diving lessons in 15 countries, including Israel. Coupons are color-coded by country.

It's an idea whose time had to come. "We've sold close to 100,000 books this year, about three-quarters of which have been specialized editions for companies to resell or give away as promotions to their best customers," Selikowitz says. So far, about half the consumer sales have been made in the United States.

The book sells to the public for about \$60, mostly through department stores, such as Galeries Lafayette in Paris, and by mail order. You can get a free copy if you buy a Saab car, fly first class with UTA, buy a raincoat at Aquascutum or test-drive an Alfa Romeo luxury car. Sealink Ferries sells two reduced-size versions ("Half Price France" and "Half Price Britain") on its English Channel crossings, each for 90 francs (\$15). Coupon books of this kind are big business in North America. But Selikowitz claims that his is the first for European establishments, except for one published in London for restaurants and theaters.

Selikowitz, an American who has lived in Paris for 20 years, formed a French company, American Marketing, at the end of 1985 to launch the book. It took two years to produce the 1987 edition, the first. "The idea came about from our young Israeli, Simon Avila, now vice president marketing, after spending six months in Los Angeles. He saw all these books and asked, 'Why doesn't this kind of thing exist in Europe?' So we spent six months testing, first of all, would Europeans do this? Because he felt that maybe times had changed. And maybe they now would. And it's working."

The biggest problem, Selikowitz says, has not been selling the book, but convincing French and Italian hoteliers and restaurateurs to give a significant discount. "Everybody was willing to give a free glass of champagne. But we said, that's just not sexy; well-to-do people will only be interested if the discount is 50 percent."

Hotel chains that participate in the program (although not all properties in all countries) include Sberator, Hyatt, Hilton, Holiday Inn, Novotel, Thistle, Relais & Châteaux, Copthorne, Ladbroke, Edwardian and Best Western. They include famous hotels, such as the Cipriani in Venice, the Ritz in Barcelona and the King David in Jerusalem. The 50 percent discount applies only to the room on an "availability basis" ("This means, under our contract, that if the hotel is more than 90 percent full it need not accept the coupon," Selikowitz says) but good for as long as you stay. "Availability" at a few hotels is restricted to certain times of the year or weekends.

The deal with restaurants is that you get one main course free when at least one other main course is ordered at the regular price; no surprise that the free course is always the least expensive of the two. (The strategy must be for your guest to join you with filet mignon au poivre at \$15 instead of poulet

tarragon at \$9.75). No surprise that you pick up tax and service.

But let's not complain. Consider, for example, how you can spend your coupons in Paris. You are sure to find a hotel to suit you out of the 24 listed in the book, from the small, luxurious L'Hôtel on the Left Bank, the expansive Holiday Inn, Meridien, Hôtel Club Méditerranée and Hilton Orly to bijou hotels like the 20-room Résidence du Bois and the more modest Mapotel Terrass in Montmartre.

You have 30 coupons for eating out. Choose from a complimentary main course at Lamazzone (except for truffles) or Le Vivarois, Breton specialties at Ty Coz or simply a pastrami sandwich at Yankel's. There is a good choice of bistros and ethnic restaurants. If you fancy eating kosher Chinese, you might try the coupon for a place called, Lotus de Nissane. After dinner, you can enjoy your second bottle of champagne free at the Crazy Horse or catch the Champagne Revue midnight show at the Lido with "50

It's an idea  
whose time  
had to come

percent reduction for you and your guest."

You can spend a fortune saving money on perfume, porcelain, leather goods and liquor. But don't forget to claim your free silk tie (there's no obligation to purchase) at Aquascutum. (You can get a free tie in London as well.) Once you've exhausted your Paris coupons, you might try a half-price car rental down to the south of France (more coupons) or cross the channel to London with a 50 percent reduction on Hoverspeed or Sealink.

Yes, it seems almost too good to be true. Which is why "Half Price Europe" has had a mixed reception. Says Selikowitz: "Some people are amazed by it. They don't know whether to believe it simply because they are not used to these kinds of things. In northern Europe, everyone believes in it; no problem, it's taking off wonderfully. And Americans, of course, see it immediately. But Latins are very skeptical. The French will say, 'Club 13 in Deauville is never going to give me 50 percent off; this must be a rip-off.' Although people are now going out and actually using the coupons. And writing letters saying, 'I really saved!'"

Selikowitz claims that a "major U.S. airline" has bought a million copies of a special edition for a winter promotion this year and that AT&T has ordered 10,000 copies which it will sell at cost in the United States, as part of its "Call U.S.A. Direct" program. He also has plans to "take the drugstore back to America" by marketing a "Half Price U.S.A." primarily aimed at European travelers. "Most U.S. discount books are not really usable for European visitors; they either cover a specific city or the whole country. I mean the Holiday Inn in Oakland is not exactly a tourist destination," he says. "We'll concentrate on the six or seven major cities and take in hotels and the more sophisticated restaurants."

A great advantage with "Half Price Europe" is that you don't have to schlepp the two-pound book around with you; just detach the coupons you need for a trip. What's frustrating is that you'll never begin to use them all. If you were to, according to Selikowitz, you could save about \$15,000. ■



Louis XIV (top left), Anne, Countess of Exeter, and (below) Burghley.

Miniature Souvenirs  
Of the 17th Century  
At Burghley House

by Terry Truoco

STAMFORD, England — The big wood display case was filled with 17th-century portrait miniatures, but a little boy's face demanded attention. He had flowing curls and a regal expression, hardly surprising for Louis XIV, who ascended the French throne at the age of 5. Likenesses of little Louis are rare, which made this particular miniature, by the renowned French enameleur Jean Petitot, a treat.

The story behind the little picture was equally appealing. It was snatched up in the late 17th century by John Cecil, fifth Earl of Exeter, who made the grand tour of Italy and France four times in his 52 years.

He was a champion collector, who always returned to England laden with paintings, tapestries and furniture as well as more mundane commodities like gunpowder and treacle. His holiday souvenirs can still be seen here in Burghley House, a magnificent 16th-century mansion about two hours from London, which is home to an assortment of his descendants and is open annually to the public from April to October.

Set on a majestic 1,400 acres, Burghley House is the site of a New York City block and looks like a palace. It has a dignified mustard-colored facade fashioned from local limestone. It has 240 rooms and countless turrets and towers. It has an art collection studded with works by Tiepolo, Veronese and Gainsborough, among others.

It was built by William Cecil, the first Lord Burghley and Lord High Treasurer to Queen Elizabeth I, who awarded him this prime plot of land, formerly the site of a 12th-century monastery. For years Burghley House has been widely acknowledged as one of the largest and grandest remnants of the First Elizabethan Age.

Yet until 1956 the place had no electricity, and the attics were dark until 1982. The last infusion of light was a revelation. Since then, virtually hundreds of "lost" treasures have been found in the Burghley attic, including the portrait miniatures now on display.

The portrait miniatures, which fill a big airy room to the side of the house, are this season's special exhibition at Burghley and will be on view through Oct. 4. They also represent Burghley House's efforts to lure more guests as the competition for visitors heats up among the hundreds of historic homes that dot the British Isles.

In the old days, that is a decade or so ago, all a house here had to be was old, with noble architecture, a good location, a decent ancestral pedigree or, for a happy few, all three. But visitors have grown picky, particularly with the increase in the ranks of historic homes on view. The best of Britain's houses, like Burghley, now try to unveil a few new goodies each year to lure repeat visitors.

The 100-odd Burghley miniatures are a subtle exhibition, though they qualify as one of the oldest and most important privately owned collections in Britain. Many are of museum quality, with examples by such big

Burghley is acknowledged as one of the finest remnants of the First Elizabethan Age.



The Great Hall at Burghley.

names in the field as Isaac Oliver (ca. 1560-1617), his son Peter (ca. 1594-1647) and Samuel Cooper (1609-1672), fondly dubbed the "Van Dyck of miniature painting."

Several little paintings by William Hogarth are displayed as well, including a charming portrait of the composer Handel, complete with leonine hairdo. These are billed as Hogarth's only known miniatures, though the show's curator admits they were probably removed from a larger picture the artist destroyed.

Most miniatures, in contrast, were designed specifically as tiny paintings to be kept in a folding frame or to hang, grouped with others, in a special case. These miniatures incorporate skills handed down from the 15th-century manuscript illumination. The term miniature actually has less to do with size than with the Latin word *minutus*, meaning the diminutive pigment commonly used by illuminators.

Miniaturists were also obsessed with detail and sought to depict every aspect of the sitter's costume, headdress and skin tone. Though little Louis XIV's oval portrait is just one and a half inches (3.8 centimeters) high, his feather hat and lace collar are meticulously drawn.

But the Burghley miniatures are most intriguing as an introduction to the house and its former inhabitants. Most of the palm-sized portraits, which span more than three centuries, depict members of the Cecil family and show an array of painting styles as well as faces and fashions. ■

Hannah Sophia, Countess of Exeter in the

early 18th century, was so fond of miniatures she had herself painted four times. Though no great beauty, she had a serene expression and a flair for fashion.

Anne, Countess of Exeter in the late 17th century, was no great looker either. But in addition to puffy eyes and a sloping chin, she had a fortune and helped bankroll those continental jaunts the free-spending fifth earl enjoyed. As painted in miniature by Nicholas Dixon, she wears a pretty dress. After the exquisiteness of the miniatures, it's almost a relief to return to the rest of the house, where everything is on a grand scale. Burghley basks from an expansive era of big rooms and high ceilings. Nothing seems as massive as the old kitchen, with its fan vault ceiling and an enormous painting of an evicted cat, presumably to get the cooks in the mood.

The Great Hall, with its 60-foot ceiling of carved wood, is just as grand. It served as a banquet hall in the days when Queen Victoria visited, though today it is a pleasant site for concerts. Snack in the center stands an early 18th-century silver wine cistern, reputed to be the largest in the world. Yet set in the midst of the hall — and the house — it seems tiny.

Burghley House is in Stamford, Lincolnshire. Open daily from 11 A.M. to 5 P.M., Easter through Oct. 4. Admission £2.50 for adults, £1.60 for children (about \$4.50 and \$2.50); tel. (0530) 52451.

Terry Truoco is a London-based journalist.

## HOLIDAYS &amp; TRAVEL

## TRAVEL

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HOLIDAYS  
& TRAVEL  
appears  
every Friday

## Normandy

Continued from page 9

beech forests of northern France. These smooth straight trees stand especially tall and impressive in the evening, when the soft Norman light passes among them, creating a cathedral of illuminated pillars.

This enchanted route needs a storybook village, and one is provided in the half-timbered confection of Lyons-la-Forêt. Snuggled in a narrow valley and cut off from the real world by its forests, Lyons (the s is pronounced) has been superbly preserved from the leveling winds of change. Its Hansel and Gretel streets of tiny beam-and-brick houses climb up to a cen-

**Snuggled in a narrow valley and cut off from the real world by its forests, Lyons-la-Forêt has been superbly preserved from the leveling winds of change.**

tral square dominated by an 18th-century covered market whose intricate carpentry has withstood even the efrontery of motorcycle vibrations.

Wrapped up in a cozy time-warped and warmed by the local cider, the visitor's imagination is not hard pressed to evoke the ambience of the *ancien régime*, especially if hunting horns are sounding in the near distance, evidence of the many horse-and-motorcycle clubs of the area.

Lyons has two useful restaurants, Le Grand Cerf and La Licorne, both on the square. The Licorne (tel. 32-49-62-02) is an old inn with a flowered courtyard and 21 rooms (270-400 francs), offering the classic French dishes in menus of 110 francs and 190 francs.



Château at Vascoeuil.

The best approach to the historical town of Les Andelys is through the hamlet of Heugueville along the D126. Winding down to the Seine, the road suddenly rises its curtain of trees and bushes to reveal the curling river below, its flat bottomland to the southwest and hills to the east crowned by the Lionheart's Château-Gaillard.

Why Les Andelys? The plural form is a function of military history. The original Andely, now called the *Grand*, lies a kilometer or two from the Seine banks. It is an old town that has seen much war, the last time in 1940 and again in 1944, when the ebb and flow of armies destroyed its center. Unscathed, however, was its fine late-medieval church, Notre-Dame, built on the site of Normandy's first abbey, which was founded in 511 by Queen Clotilde.

The riverside community that is its pendant, the *Petit Andely*, owes its existence to the Plantagenets of England and their predecessors in France.

In his wars against Philippe Auguste of France, Richard I Coeur de Lion chose the spur of land above this loop of the Seine to build a fortress that would bar the route to Rouen. The king was in a hurry — the huge project, begun in 1196, was completed in about two years, setting some sort of record

in an age that reckoned construction times in centuries. The *Petit Andely* was built to house the army of workers that put up the Château-Gaillard.

With its intimidating proportions and towering above the Seine, the castle was the front-line keystone in the arc of fortresses that guarded Richard's Norman domains, a thorn stuck in the fleur-de-lis. And so it remained until Coeur de Lion died in 1199 and was succeeded by his brother, John Lackland.

Philippe-Auguste cow took his revenge. His siege of Château-Gaillard ended in the capitulation of the garrison in 1204 and opened the way for his reconquest of the province. After further adventures and misadventures during the Hundred Years War and the Wars of Religion, the 10-towered bastion was ordered demolished by Henry IV at the end of the 16th century.

What remains is a ruin dear to Romanians, past and present, reachable by car through the Grand Andely and up a hill, approaching the site treacherously from the rear. The road ends in a small parking lot for the tourists, at a breathtaking distance, the shaggy walls of the castle, its almost treacherous proximity and the majestic sweep

of the Seine's chalk cliffs, marching off toward Rouen to the northwest. The sober beauty of the place and its historical associations have earned the Château-Gaillard a slot among France's *Grands Sites Nationaux*.

The story of Normandy starts with the Viking raids on France in the 9th century via the Seine, the first chapter in this violent book ending in an encounter on the Epte river, 23 kilometers southeast of Les Andelys at the present-day town of St.-Clair-sur-Epte. The Epte forms the boundary between two provinces whose modern names, the *Vexin Normand* and the *Vexin Français* (Norman Vexin and French Vexin), indicate the outcome of the French struggle against the warriors from the north.

For it was there, in 911, on a makeshift bridge thrown over this narrow stream, that the French king, Charles the Simple, and Rollo the Viking made a verbal treaty that founded the duchy of Normandy, the vanguard base of an "empire" that over the next few hundred years would include England, Ireland, Sicily and the Holy Land.

Today, crossing the Epte to the north, the motorist passes a flag flying the two leopards of the province and a sign that states coldly: "You are in Normandy." ■



## TRAVEL



Woods on the banks of Lake Dal.

Walk through an enchanted world of green willows and floating gardens — glimpse of a Kashmiri way of life you would not otherwise see.



Village women in Langlebal, near Srinagar.

Photographs by Guy Le Querrec/Magnum

## In the Valley of Kashmir

by Brigid Keenan

EVERY year more than 50,000 Westerners visit the valley of Kashmir — most of them setting off at around this time of year in order to catch the best weather. Kashmir is usually a small part of a larger tour; visitors are booked onto houseboats for two or three nights, and because their time is limited, so is their sightseeing — and then the places they are taken to see are not always the most interesting.

Everyone will go to the Shalimar Garden, which is by far the most famous place in Kashmir. But few will realize that Shalimar owes its reputation less to gardening than to a vastly popular Victorian poem called "Lalla Rookh," in which the garden was the venue for a pair of lovers — and the poem was written by a poet who had never been to the East in his life. Because of the poem there was then a music-hall song — "Pale hands I loved beneath the Shalimar," and then there was a French perfume, and the result is that thousands of people flock there for reasons quite unconnected with the garden itself.

Shalimar is worth seeing, particularly its black marble pavilion built by Shah Jahan, and so is the other great Mogul garden next door, Nishat, with its waterfalls and secret shady "women's terraces" under the mountain at the back, but more intriguing than either is Peri Mahal, a garden perched on the shoulder of a hill between the town of Srinagar and Nishat. Peri Mahal was built by Dara Shukoh, the son of Shah Jahan, for his spiritual tutor, and in his day it was considered one of the loveliest places in India. Only 10 years ago it was overgrown and almost unrecognizable, but now it has been cleared and it is possible to explore all the steep terraces — though accessibility has also brought a mushroom growth of hideous plastic lights, and an ugly pool of all the wrong proportions and design has been "reconstructed" on one of the levels. Nonetheless Peri Mahal is built in a fabulous site and nothing can spoil the spectacular view over the valley. It has not quite yet acquired a municipal park atmosphere — what I was there recently I saw a wolf on the hill.

Dara Shukoh also built a mosque for his tutor at the foot of the Mari Purbat hill in Srinagar. This is called the Akhund Mullah Shah mosque, and though it is small and simple, it is movingly beautiful. Like Peri Mahal it has a marvelous site, and the build-



Shopkeeper in Srinagar.

ing itself, in gray limestone, was exquisitely finished. But the little mosque has been allowed to tumble down and be vandalized to the extent that if something is not done quickly it will be too late. The irony is that a huge and expensive modern mosque has recently been built on the hill just above (at the shrine of a holy man called Malchidoom Sahab) while the perfect little Mogul gem has been allowed to go to ruin.

A hundred years ago, people seem to have cared more about it, for three European travelers got into trouble when they tried to steal a door from the Akhund Mullah Shah mosque. Baron Egmont, Dr. Henderson and Godfrey Vigne met in Kashmir by coincidence in November 1935. In those days it was a feat of endurance to get to the valley at all, and the three men decided to place a stone with their names on it, and the names of all the past European travelers to the valley. They designed their inscription, and then decided that the ideal stone would be one of the limestone doors of the Akhund Mullah Shah mosque. Vigne went to get one, but the stone door was far too heavy to shift. The next day he sent his servant armed with the appropriate tackle to fetch the door, but he too returned without it, saying that a large crowd had assembled to prevent the door being taken. The travelers didn't believe him and were about to try again when Egmont's servant came to him and told him that the whole city was up in arms at the idea of the door of the mosque being removed, and that "nothing but our robbery was talked of in

the bazaar." The three hastily looked elsewhere for their stone, and found a suitable one in the Shalimar garden — one can't help wondering what lovely thing they de-livered. Their stone was duly installed on the island called Char Chinar, but it has long since disappeared.

In Srinagar is another beautiful Mogul mosque similar in style to Akhund Mullah Shah. This is the Pathar Masjid, which was designed by Nur Jahan, the remarkable wife of the Mogul Emperor Jahangir. In 1902 the Archaeological Survey of India described this mosque, together with the mosque of Akhund Mullah Shah and the black marble pavilion in the Shalimar Garden, as three buildings "unsurpassed in purity of detail and design" by anything in Agra or Delhi. Nur Jahan's mosque is called the Slipper Mosque — apparently because when someone asked her how much it had cost to build she pointed to her jeweled slippers and said "as much as those."

Supposedly for this reason, the mosque was more often used as a grain store than as a place of worship, but it has recently been cleaned up and is used again as a mosque. Its surroundings are pretty dreary, but what is left of the old wooden door leading to the mosque's one-time landing stage on the river has some pretty floral carving. From Pathar Masjid, the visitor could walk up to the new Fatah Kadal Bridge (also called the Biscoe Bridge) and from there look down the Jhelum River toward the rickety but picturesque old Fatah Kadal, the ancient wood-and-brick shawl merchants' houses leaning precariously over the river, and the curious, pagoda-like roof of the Shah Hamadan mosque on the opposite bank.

Visitors of a soulful turn of mind might enjoy exploring the Kashmir of the British rather than the Moguls. The small British community of engineers, architects, teachers, administrative officers and so on who served the maharajas of Kashmir between 1847 and independence, lived in the area behind the Bund (not far from the Tourist Office). There you will find all sorts of houses that would look more at home in Surrey, and All Saints' Church, where once the British Resident used to read the Lesson on Sundays. (It was burned in riots some years ago, but its tower remains.)

From All Saints' it is a pleasant walk to the Christian cemetery on the Bund. Start at Zero Bridge and continue downstream along the Bund passing the Residency (now the Handicrafts Emporium) where the garden

parties were famous for their strawberries and cream, the old Srinagar Club, the hideous new Post Office and the rather charming but decrepit old one. Walk on, past Suffering Moses (a famous dealer in papier-mâché), past the black-and-white "stockbroker Tudor" building that houses Grindley's Bank, and on until you are directly opposite the Srinagar Museum on the opposite bank of the river. Here there is a turn-off from the Bund to the entrance (unmarked) to the cemetery.

In the farthest left-hand corner of this pretty walled enclosure, once an orchard, through a pair of lych-gates exactly like those in an English churchyard, you will find the oldest graves — including that of Robert Thorp, the son of a Kashmiri woman and an Englishman. Thorp campaigned unceasingly to improve the lot of the poor Moslems of Kashmir until in 1858, so the story goes, the Hindu maharaja had him poisoned. His tombstone bears the inscription "He gave his life for Kashmir." Other graves tell of the dramatic deaths of long-ago visitors to Kashmir who met their ends falling over precipices, being savaged by leopards, or caught in avalanches. And then there are the poignant graves of all the British children who died of sickness — "In loving memory of our dear little Peter, Lena Myrtle aged 2 years 4 months, and Eustace Livingstone aged 9 months." But this is a living cemetery (if one can say such a thing) and there are also the recent graves of Europeans who have died "on our holiday" as one inscription says.

In the same enclosure is a tiny Hansel and

Gretel cottage with the remains of lucky iron horseshoes nailed above the door. This was Holton Cottage, the home of a famous missionary, Cecil Tyndale Biscoe, who spent 57 years in Kashmir running a school in which his aim was "to turn bi-peds into MEN." Biscoe left the valley at independence and died long ago, and his charming little cottage is now in a sad state, but he would be happy to know that his school still flourishes — indeed most of Kashmir's present ruling class attended it.

After the cemetery, visitors can walk back to the Bund and hire a shikara boat to take them across the river to the museum where there are some nice old pieces of papier-mâché, and shawls.

A WALK of a completely different character takes you across the causeway that spans the Dal Lake from Rainawari, a suburb of Srinagar, to opposite Nishat Garden. A taxi should be organized to go to the beginning of the causeway (or suttio, as it is called locally) on the Rainawari side, and meet you again at the Nishat end. The walk is about four miles long, and it passes through an enchanted world of green willows, floating gardens and dappled waters — a glimpse of a Kashmiri way of life that you would not otherwise see.

On all the tourist itineraries there is a day trip to Gulmarg, a resort in the hills, from where you can, on a clear day, see Nanga Parbat, one of the highest peaks in the Himalayas. But Gulmarg is touristy and crowded and for my money I'd do my day trip to Sonamarg if I wanted mountains and lovely

scenery. Wular Lake if I felt like a wild landscape, and Martand if I wanted to see something man-made. The great sun temple of Martand was built in the eighth century by Lalitaditya, the Hindu king of Kashmir. It lies in ruins now, but even these are impressive, and as Sir Francis Younghusband, who was British Resident in Kashmir at the beginning of this century, wrote: "No temple was ever built in a finer site."

Martand is a few miles off the road to Pabalgam in the Liddar Valley — a place that features on many tourist programs. A comfortable half-day trip would be a drive to Manasbal lake, a pretty, peaceful place about 45 minutes by car north of Srinagar. Where the road meets the lake there is a garden on the hillside at the bottom of which is a curious small carved stone Hindu temple partially submerged in the lake water. You can hire a shikara boat to take you across the lake to the Mogul garden built by Nur Jahan on the bank facing you, though only the ruins of terraces and some giant chinar trees mark the site today.

Indeed, throughout the Kashmir valley these huge old trees planted by the Moguls act as flags pinpointing the places they considered beautiful. The sad part is that there does not seem to be any re-planting of the chinar. "They take 300 years to grow to that size," said a Kashmiri, "so what is the point." "The point," we lectured him severely, "is that that is all the more reason for getting them in NOW."

Brigid Keenan, a journalist based in New Delhi, is working on a book about Kashmir.

## FOOD

## Summer Supping and Sipping

PARIS — As the city at last takes on a summer air, it is time for minor distractions — finding a new wine bar and perhaps a new wine, sipping exotic tea in a cozy salon de thé in the Marais, pausing for a shockingly rich iced chocolate at a new Right Bank boutique.

A lively new lunch spot near the Palais Royal is the three-month-old *Juveniles*, the second offspring of Mark Williamson, owner of *Willi's Wine Bar*. The alley-like wine bar

PATRICIA WELLS

and shop is short on decor, but the casual, relaxed crowd and friendly waiters supply the necessary ambience. The wine selection is superb — meticulously selected wines from little vineyards all over France — and the food is thoroughly respectable.

I loved the stack of tiny new potatoes topped with raita cheese and bits of bacon, the *beurre blanc* sandwich — thick slices of basted toast around layers of beef, tomatoes and watercress bathed in a creamy mustard dressing — and the satisfying chicken salad "salad," a blend of greens and huge chunks of chicken showered with an escabeche of olives, carrots, and tomatoes.

Try the meaty 1983 Bandoi Château Vannière, or the 1986 white Bergerac, Château La Jaubertie, with a finesse combining the tartness and fruit of a Loire white and the well-defined structure of a Bordeaux. Wines are well priced, with a selection that can be carried off for anywhere from 18 to 150 francs a bottle.

Those in search of more exotic surroundings should stroll to the Marais, where one of France's oldest and most respected tea importers has opened a combination tea boutique and tasting salon. As you wander down the rather scruffy Rue de Bourg-Tibourg you have no idea what is in store. But as soon as you approach *Marriage Frères*, your senses are transported to an appealing, pleasurable world. The aroma of a mingling of exotic teas from China, Japan, Brazil and Bangladesh invades the senses, sounds of Wagner's "Tristan und Isolde" fill the air, as your eyes focus on a plant- and wicker-filled, neo-colonial space bathed in delicate light and decorated in pale ochre and white.

There are some 300 varieties of teas from 20 countries, as well as an astonishingly



Marriage Frères: Tea boutique and tasting salon.

complete selection of tea paraphernalia, including about 200 teapots, a charming individual tea service, even a series of wicker picnic sets that will make you want to pack up and take off at the next opportunity.

Smokers and non-smokers are discreetly segregated (smokers are directed to a second room upstairs) for, as the menu suggests, *la sœur de nos thés s'accommode fort mal de l'odeur du tabac*.

All the available teas are described in painstaking detail in the dictionary-like menu, and even tea experts are likely to feel overwhelmed. But one can always cop out and order one of the more familiar teas, among them a delicately perfumed Darjeeling, a penetrating, flinty Keemun, or a rich and pungent Assam.

With such pleasant surroundings, it's a shame the food is not better. But the salad combinations are simply silly, and tea-infused specialties, such as ice creams, barely have the taste of tea. Better to come for breakfast or tea, for the flaky currant-filled scones, served with a variety of tea jellies, or the soothing tarte aux fraises des bois, excellent pâte sablée smothered with a blend of pastry cream and wild strawberries, all topped with a crackling caramel crust.

Fans of Robert Linx's *La Maison du Chocolat* on Rue du Faubourg Saint-Honoré

will be delighted to hear of his two-week-old sister shop on Rue François Ier. Here, in a cool, pristine, chocolate-hued boutique, chocolate lovers can sit at the marble-topped bar or around low, round tables, and indulge in one of the world's greatest passions.

One scorching day this week I was instantly invigorated by a Guayaquil frappé, a tall glass of iced chocolate, a whipped blend of bitter chocolate ice cream and rich, melted chocolate. The menu offers no less than five variously flavored hot chocolates, chocolate mousse, sorbets and ice creams. The chocolates, pastries and cakes can be purchased to sample in the shop or to take home.

The diminutive menu offers a sampling of appropriate gastronomic sayings, including a pertinent warning from St. Ignatius of Loyola, founder of the Jesuit order: "Gourmandise is a capital sin. So therefore, my brothers, let us guard against being gourmands. Let's be gourmets."

*Juveniles*, 47 Rue de Richelieu, Paris 1; tel: 42.97.46.49. Open Monday through Saturday 11 A.M. to 11 P.M.

*Marriage Frères*, 30-32 Rue de Bourg-Tibourg, Paris 4; tel: 42.72.28.11. Open Tuesday through Saturday, 11 A.M. to 8 P.M.

*La Maison du Chocolat*, 52 Rue François Ier, Paris 8; tel: 47.23.38.25. Open Monday through Saturday, 9:30 A.M. to 7 P.M.

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Patricia Wells is restaurant critic for the *International Herald Tribune* and an award-winning contributor to the *New York Times*. Order her new book today and capture the food magic of France.

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AMER. price	P.14	Business Reports	P.34
AMER. price	P.14	File price	P.34
AMER. price	P.14	Gold market	P.13
AMER. price	P.14	Interest rates	P.13
AMER. price	P.14	Market summary	P.13
AMER. price	P.14	Oil market	P.13
AMER. price	P.14	Stock market	P.13
AMER. price	P.14	Other markets	P.13

FRIDAY, JULY 3, 1987

WALL STREET WATCH

# Bell Phone Competitors In U.S. Struggle for a Niche

By PHILLIP H. WIGGINS

New York Times Service

NEW YORK — While most of the Bell telephone spinoffs have fared well since the court-imposed breakup of American Telephone & Telegraph Co. at the start of 1984, the performances of the country's leading independent telephone companies have varied widely.

Some independents have been hurt by overdiversification into such areas as cable television, electric utilities, satellite services and computers and information services. Others, such as United Telecommunications Inc. and GTE Corp., have been adversely affected by poorly performing long-distance operations.

All the independents face greater pressure in a lower-rate-base environment as well as the problem of being in a virtually mature business.

According to James Ritchey, an analyst at Gruntal & Co., the independent telephone companies are "bucking up against" the maximum returns on equity permitted by state regulators. "Allowed returns are down to a current 12 to 13 percent from 16 percent in 1985," he said. "This minimizes the prospects for significant earnings growth."

Alltel Corp., based in Hudson, Ohio, and the sixth-largest U.S. independent, is a favorite of analysts. The company is pinning its future hopes on its substantial cellular, or mobile car, telephone business.

Alltel's cellular operations are valued at about 15 percent of its total market capitalization. Although the Bell companies have cellular holdings, they are much smaller in percentage terms.

Cellular telephone systems have come down drastically in price in recent years and are now owned by a fast-growing group of more than 700,000 people across the United States.

James M. McCabe, telecommunications analyst at Nomura Securities, is optimistic. "Cellular is off to an excellent start in both the United States and international markets," he said. "Telephone companies are doing at least as well, and in most cases, better, than projected in the cellular business."

ALLTEL earned 96 cents a share in the first quarter, up from 87 cents in 1986. "I expect earnings for the full year to rise to \$3.80 a share and to \$4.05 a share in 1988," Mr. McCabe said. Alltel earned \$2.45 a share in 1986, which included a \$1.10-a-share nonrecurring charge for the shutdown of Tele-Phone Plus and of Argo, a satellite-based, long-distance network.

Analysts expect the other leading telephone companies to continue to show mixed earnings results. The summary looks something like this:

• GTE: Earnings of the No. 1 independent phone company are expected to slip to about \$3.25 a share in 1987 from \$3.53 a share in 1986, but the 1988 per-share result could be as high as \$3.55 a share. GTE, which is based in Stamford, Connecticut, and United Telecommunications of Kansas City, Missouri, formed US Sprint, the third-largest U.S. long-distance company, on July 1, 1986. US Sprint has been increasing heavily losses in trying to build a network in the competitive long-distance market.

• United Telecommunications: Earnings are expected to drop to \$1 a share this year from \$1.80 a share in 1986, also because of US Sprint, but could recover a bit to \$1.10 a share in 1988.

• Cotel Corp.: Estimates of 1987 earnings of the Atlanta-based company range between \$3.00 and \$3.25 a share, up from \$3.03 a share in 1986. The company should be helped by improving results from its unregulated businesses.

• Cotel Corp.: This Chicago company's 1987 earnings are estimated at \$4.80 a share, and \$5.15 a share is expected for 1988. The company earned \$3.88 a share in 1986, which included 96 cents a share in nonrecurring charges. Telephone operating revenues and earnings this year are expected to be constrained by regulatory rate-of-return limitations.

## Currency Rates

Cross Rates	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Australian dollar	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
British pound	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64
French franc	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55
German mark	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Italian lira	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Japanese yen	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00
Swiss franc	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
U.S. dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: Reuters. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency.

Other Dollar Values

Currency	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Canadian dollar	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Swedish krona	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Spanish peseta	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Portuguese escudo	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Belgian franc	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Dutch guilder	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Austrian schilling	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34
Irish pound	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34

Source: Reuters. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency.

## Interest Rates

Rate	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
1 month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3 months	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
6 months	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
1 year	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25

Source: Reuters. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency.

## Asian Dollar Deposits

Rate	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
1 month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3 months	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
6 months	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
1 year	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25

Source: Reuters. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency.

## U.S. Money Market Funds

Rate	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
1 month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3 months	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
6 months	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
1 year	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25

Source: Reuters. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency.

## Gold

Rate	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
1 month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3 months	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
6 months	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
1 year	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25

Source: Reuters. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency. All rates are for U.S. dollars per unit of foreign currency.

# Reed PLC To Buy Octopus

Agreed Offer  
Is \$540 Million

Reuters

LONDON — Reed International PLC, the publishing and paper conglomerate, offered \$540 million (\$870 million) on Thursday for Britain's biggest independent house, Octopus Publishing Group PLC, the companies said.

It was the latest in a series of offers and acquisitions that have turned Britain's publishing industry into a multimillion-pound corporate battlefield.

Reed's chief executive, Peter J. Davis, said the offer resulted from

Elsevier, the Dutch publisher, began its hostile tender for a rival, Elsevier, Page 17.

an approach by Octopus's chairman, Paul Hamlyn, who owns a major stake in the company.

Reed has also bought a 35 percent stake in Octopus owned by BTR PLC, Mr. Davis said.

"We had many gaps in publishing, particularly in general trade books," he said.

Octopus shares were suspended at 430 pence each Wednesday, after they jumped 54 pence during the day. On Thursday, Octopus rose a further 57 pence to 487 in late trading on the London Stock Exchange.

Reed shares sank Thursday, closing at 546 pence after a close Wednesday night at 563 pence.

Reed has been the subject of stock market speculation about a bid in recent weeks, following sharp rises in its share price. Analysts said, however, that the acquisition of Octopus was likely to fend off any predators.

Octopus bought the Heinemann group for \$100 million in 1985. Its divisions also include Secker and Warburg and Pan paperback. In 1986 Octopus's pretax profit grew to \$26.04 million from \$20.37 million.

The bid will be made on the basis of nine new Reed shares for every 10 in Octopus, with a cash alternative of 475 pence a share.



General Dynamics agreed to help build this housing project in Turkey as part of a sale.

## A Housing Project for a Jet Contract?

Defense Companies Find That the Sweetest Bid Wins

By Axel Krause

International Herald Tribune

PARIS — Northrop Corp. has helped the Swiss sell army knives and clocks. General Dynamics Corp. has invested in Hilton hotels and built an entire housing project in Turkey.

McDonnell Douglas Corp. has assisted Spanish companies with bids in China, and has purchased 1,000 cases of Spanish wine.

Once, Outer Mongolia even asked ITT Corp. to find a home in an American museum for a dinosaur skeleton that the government wanted to place.

The giant conglomerate refused, though politely. "Nobody was interested in dinosaurs at the time," a former ITT executive recalled, "but we tried."

As the market for military equipment grows increasingly competitive, defense contractors are being forced to make investments in all sorts of risky projects outside their traditional areas of expertise and interest to win important sales from developing countries, notably of fighter aircraft.

On the face of it, the transactions — known as indirect offsets — resemble such common payment practices as bartering, but in fact they represent a major shift in the scope and complexity of financing multinational-dollar sales.

For one thing, barter payments have been used almost exclusively in East-West trade, where Communist countries may not have the hard currency to pay for imported goods and technology, and

See OFFSET, Page 15

# Pioneers in U.S. Financial System, 'Nonbank' Banks Face Curbs

By Eric N. Berg

New York Times Service

NEW YORK — For a part of the financial services industry with only a tiny fraction of the nation's deposits, "nonbank banks" have

certainly created a racket. Little known and poorly understood, these curious financial institutions, which look and act like commercial banks but legally are not, have turned sleepy country banks into powerful tools of financial marketers.

They have also allowed myriad industrial companies, impatient with existing bank law, to shoulder

their way into financial services when that law doesn't allow it.

And they have allowed eager money center banks to get ahead of regulators and around interstate banking prohibitions. In the process, the nonbank, or limited service, banks have come to symbolize the campaign to deregulate the banking industry.

Now they face their greatest challenge.

In Congress, legislation passed by conference committee Wednesday would outlaw new nonbank banks while limiting the asset growth of existing ones — growth

that in some cases has topped 100 percent a year — to 7 percent annually.

If the legislation becomes law, a lot of the big companies that viewed nonbank banks as an important element in their expansion strategy — from Sears, Roebuck & Co. to Gulf & Western Inc. to Chemical Bank — might be forced to rethink that strategy.

"It would be the end for new nonbank banks, and a significant restriction for the others," said H. Rodgin Cohen, a banking partner at the law firm of Sullivan & Cromwell, which represents owners of

nonbank banks. "Seven percent just isn't that much growth."

But passage of the bill, principally supported by small commercial banks, is far from certain. President Ronald Reagan, an advocate of financial deregulation, has threatened to veto the legislation. Yet he may be forced to accept it, because another part of the bill, which he favors, would bail out the Federal Savings & Loan Insurance Corp., which insures deposits at thrifts.

If the bill is killed, just about everyone agrees, the nonbank

banks will continue to pop up in virtually every state and offer consumers cut-rate loans and high-rate deposit accounts — better deals, in short, than could be obtained from the local bank or savings and loan.

And that, in turn, is expected to give fresh momentum to efforts to deregulate traditional financial institutions.

The nonbank bank issue "really gets to the question of what the structure of financial services will look like," said Anthony M. Santomero, the Richard K. Mellon pro-

See NONBANK, Page 15

# U.S. Moves to Protect Bonds From Antilles Tax Change

Compiled by Our Staff From Dispatches

WASHINGTON — The Reagan administration, which created a furor in worldwide bond markets when it announced Monday it was terminating a 1948 tax treaty with the Netherlands Antilles, said Thursday it would seek to overturn part of that action.

The administration said it will propose legislation to exempt from withholding taxes bonds issued before June 22, 1984, by U.S. corporations using issuing subsidiaries in the Netherlands Antilles.

The action seeks to repair the damage caused by the Treasury Department's announcement Monday that it would terminate the tax treaty as of January because of a breakdown in negotiations over a new accord.

The announcement sent shock waves through bond markets worldwide. It meant that an estimated \$32 billion in bonds U.S. corporations had sold through their Antilles subsidiaries before June 1984 would now be subject to a 30 percent withholding tax.

Because of the tax change, U.S.

corporations could redeem the bonds early, with the refinancing occurring at current market rates, which in many cases are substantially below those on the outstanding issues. The result: big losses for investors and gains for the companies.

The Treasury's announcement came after two U.S. companies, Caterpillar Inc. and RJR Nabisco Inc., announced that they were already calling in their bonds.

Assuming that the new law passes, "I think it will give overseas investors more confidence," said Clive Bergel, managing director of the investment banking firm Bear, Stearns & Co. "The Treasury found they were getting a lot of flak."

Prices of hundreds of pre-1984 Eurobond issues by U.S. companies fell as much as 20 points, or \$200 for each \$1,000 in face value, after the Monday announcement.

Before 1984, the Antilles treaty allowed U.S. companies to borrow in the European market by paying interest gross of withholding tax. In that year, the U.S. lifted the tax on overseas corporate issues. (AP, WP)

# Boesky Reportedly Shielded \$160 Million From SEC

The Associated Press

BOSTON — Ivan F. Boesky, the speculator at the center of Wall Street's insider-trading scandal, has shielded more than \$160 million from government confiscation, a newspaper reported Thursday.

Some of Mr. Boesky's money now beyond the reach of the prosecution may include profits that came from illegal trading, according to The Boston Globe, which quoted unidentified officials of the Securities and Exchange Commission.

About \$65 million now in the name of his wife and children came from stock profits Mr. Boesky made before he was implicated, the newspaper reported.

Harvey Pitt, Mr. Boesky's attorney, called the story inaccurate. "He didn't shield anything, he didn't transfer assets," said Mr. Pitt.

The SEC enforcement director, Gary Lynch, who has been criticized for what some have called lenient treatment of Mr. Boesky, said he didn't know how the newspaper derived the figure of \$160 million.

Mr. Lynch repeated government assertions that investigators anticipated they would discover additional illegal profits following the plea agreement. "Without a settlement, we would never have been in a position to expose those other schemes," he said.

According to the newspaper, the government acknowledged that some of the \$65 million held by his family may have resulted from insider tips from Martin Siegel, the investment banker who pleaded guilty to providing Mr. Boesky with information on takeovers.

Mr. Boesky's ability to shield some of his wealth appears to stem from the agreement he made last September with the SEC and the U.S. attorney, providing that the government would not seek cash penalties from his wife, his children or companies he controlled.

The newspaper reported that, although it previously had not been made public, Mr. Boesky negotiated the agreement while shifting assets to his wife and children.

In one instance, just two weeks before Mr. Boesky made his agreement with the SEC, his wife, Sonia, purchased his interest in an Oklahoma City television station and has a 4 percent interest in the Beverly Hills Hotel, which sold last year for about \$135 million. Mrs. Boesky also set in motion a plan to transfer control of Northwest Corp., a chain of Southern California motels, to a trust she dominates.

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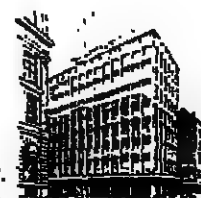
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## CURRENCY MARKETS

## Dollar Moves Up in Thin Trading

**Compiled by Our Staff From Dispatches**

**NEW YORK** The dollar edged generally higher Thursday in thin trading as market participants squared positions ahead of the Independence Day weekend and other profit-taking at the expense of other currencies.

The dollar closed Thursday in New York at 1.833 Deutsche marks, up from 1.8285 DM on Wednesday, and at 147.45 Japanese yen, up from 146.85. The British pound was unchanged against the dollar at \$1.617.

Henry Weiland, a trader with National Westminster Bank USA, said the dollar remained in its narrow trading range and its move upward must be viewed in the context of an extremely thin market.

"One particular deal could move this market," Mr. Weiland said, "while in a normal market, the move upward might not be as exaggerated."

A Labor Department report showing the U.S. unemployment rate fell to 6.1 percent in May from

## London Dollar Rates

Currency	Thu.	Wed.
Deutsche mark	1.833	1.8285
Japanese yen	147.45	146.85
Swiss franc	1.520	1.5185
French franc	6.325	6.320

Source: Reuters

6.3 percent had little impact on the market, Mr. Weiland said.

Earlier in London dealings, the dollar closed slightly higher, as market participants in the United

## M-1 Increases \$5.9 Billion

**NEW YORK**—M-1, the basic measure of U.S. money supply, rose \$5.9 billion to a seasonally adjusted \$750.7 billion in the week ended June 22, the Federal Reserve said Thursday. The previous week's M-1 level was unchanged at \$744.8 billion. M-1 includes currency, checking accounts and travelers

States made a half-hearted attempt at pushing the currency through recent resistance levels, dealers said.

But London traders said the weight of sympathy in the market ahead of the long U.S. Independence Day weekend was limiting activity.

In London, the dollar closed higher at 1.8315 DM, after 1.8285 DM on Wednesday, at 147.27 yen, from 146.80; at 1.5210 Swiss francs from 1.5185 and at 6.3205 French francs from 6.3200.

The pound was basically unchanged in London at \$1.6150 after \$1.6145 Wednesday.

Dealers said there appeared nothing on the immediate horizon that looked likely to spur fresh action on the dollar market.

A currency dealer at a U.S. investment bank said the dollar has been supported by a gradual revival of U.S. bond and equity purchases by European and Japanese investors. Their return was due largely to the recent stability of the dollar, he said.

## Pohl Pledges To Slow Rise In Money Supply

Reuters

**FRANKFURT**—West Germany's central bank president, Karl Otto Pohl, said Thursday he intends to slow a rise in money supply that several economists say could boost inflation.

Mr. Pohl listed no precise steps, but said that the Bundesbank would stick to its 3 to 6 percent growth target for central bank money stock. This measure has overshoot the target range all year. In May, for example, it grew at 7.9 percent.

"The overshooting of the target so far this year had to be accepted for external economic reasons," Mr. Pohl said.

West Germany has been under external pressure to stimulate its economy, making it difficult to raise interest rates to combat money supply growth.

## OFFSET: Defense Contractors Discover That the Sweetest Bid Wins

(Continued from first finance page)

they have been arranged by intermediary trading companies, which assume most of the risk.

But in the new field of indirect offsets, multinational companies arrange the deals themselves. This fact alone has forced companies to create subsidiaries and divisions to deal with the new business, significantly shifting corporate resources. And the transactions go far beyond simple barter and export promotion, into such activities as arranging financing for hotels, building hospitals and schools and even high-level political lobbying.

In the past five years, indirect offsets have grown to account for about half the payments for the worldwide sales of military equipment, according to Aaron Karp, director of arms trade studies at the Stockholm International Peace Research Institute (SIPRI). He adds that the offsets often become the deciding factor in multimillion-dollar bidding competitions.

"The demand for indirect offsets is escalating everywhere around the world, except Japan, and you simply cannot close a deal these days

without them," said James A. Brady, corporate director for international business at McDonnell Douglas.

Turnover in this sector was estimated at \$25 billion last year, and it is growing fast, particularly in developing countries seeking to

buy sophisticated weapons systems from the United States and Western Europe.

Executives of leading companies are reluctant participants in such transactions, viewing them as something between sweeteners and kickbacks. "We avoid these deals whenever we can," another ITT executive said, "but we get involved — by necessity."

Developing countries are major participants in indirect offsets in large part because they are major buyers of military equipment and aircraft in what has become a stag-

nant international market. SIPRI estimates that the total value of world military trade last year rose only slightly from 1985 levels to about \$50 billion. Of that, \$21 billion was generated in the Third World.

A more familiar practice known as direct offsets dates back well over a decade, and was pioneered by large U.S. aerospace companies, which farmed out building of components for civilian and military planes and weapons systems to local contractors. Boeing Co.'s recent agreements to supply early-warning system planes to Britain and France are examples.

But in developing countries, without factories to build such parts, indirect offsets are more useful, especially in a time of low commodity prices, high debts and inflation.

An example: General Dynamics recently completed building a factory near Ankara to produce 160 F-16s, including a radar system. The plant, currently employing 700 people, is designed to provide the nucleus of Turkey's future aircraft industry, and will eventually employ 2,000 Turks, all of whom were trained by U.S. companies participating in the project.

"But to get the contract for the planes, worth \$4.6 billion and signed in 1984, we had to do more for Turkey — lots more — and the pattern is the same elsewhere," said Frederick S. Wood, executive vice president of General Dynamics.

The company, along with General Electric Co. and Westinghouse Corp., agreed to establish a 10-year investment program in Turkey worth \$1.2 billion that is now getting under way. Under the agreement, they will help finance the construction of Hilton hotels in Ankara and Izmir as well as a new housing project near the F-16 plant.

"About 65 percent of our total offset business is now in the indirect area, such as the hotels," Mr. Wood said.

Some companies say they make

money on offset deals, but none would provide figures.

Expense is crucial, because indirect offsets are both highly complex and risky. Specialists usually participate with the main negotiators, preparing proposals for trading and financing projects.

For example, as part of its 1984 agreement to sell Spain 72 F-18 fighter planes worth more than \$2.6 billion, McDonnell Douglas agreed to an offsets package aimed at generating \$1.2 billion in business for Spain through 1993.

As a result, the St. Louis-based aircraft manufacturer has established special teams of experts, many with backgrounds in trading and banking.

A particularly annoying, potentially hazardous practice is the last minute demand for indirect offsets. These may be unprofitable, or unworkable, or — worse — they may stray far out of economic bounds, into sensitive political and foreign policy issues.

"We try not to let indirect offsets become a loss leader, because the idea is to make a profit — but it isn't easy," said Gerard Hibon, executive vice president of Aerospatiale of France. The large, government-controlled company has been asked to handle marketing of such difficult-to-sell commodities as surplus coffee. In a recent case involving a helicopter deal in a large Asian country, France was asked to match air landing rights that a competing U.S. aerospace company had promised to lobby for.

Some demands for offsets are what a British Aerospace PLC executive described as "outrageous" and "deservedly rejected out of hand."

ITT's dinosaur request is just one example. Egypt has repeatedly and unsuccessfully asked bidders to help market its surplus cotton. Greece has repeatedly sought to link arms imports with governmental support for Cyprus. West German industrialists say that Greece opted for French Mirage fighters over the West European fighters last year because President François Mitterrand of France assured Athens that he would back the government in its dispute with Turkey over Cyprus.

Avions Marcel Dassault-Breguet Aviation, maker of the Mirage, denied any knowledge of the allegations.

## U.K. Reserves Fell in June, Reflecting Pound Support

**LONDON**—Britain's official reserves, largely comprising foreign currencies, fell \$230 million in June after a record \$4.76 billion increase in May, the Treasury said Thursday.

The figure, which excludes borrowings and repayments, indicated how rapidly the pre-election strength for the pound evaporated last month, analysts said.

The pound had surged on confidence that the Conservative Party would win the June 11 election, and when it did, investors sold to take profits.

In both cases, the Bank of England intervened to limit the moves, first selling pounds and buying foreign currencies, then using these currencies in its reserves to buy pounds.

"There was a split around election time," commented Jeremy Hale, of Goldman, Sachs Ltd., noting that after the election the Bank of England was trying to keep the pound above \$1.60.

"It was interesting to see to try to stop a bear trend developing," agreed Nigel Kendall of brokers James Capel, but added, "We're probably entering calmer times."

Foreign exchange dealers said the Bank's buying of pounds coincided with another policy, that of selling dollars with other central banks to limit the U.S. currency's rebound, under the so-called Louvre accord to stabilize currency values.

So far this year, reserves are up \$9.60 billion to stand at \$34.36 billion.

## NONBANK: Controversial Pioneers in U.S. Financial System Face Curbs

(Continued from first finance page)

lessor of finance at the Wharton School.

"Nonbank bank" was coined to describe the more than 160 institutions established in recent years through a loophole in the Bank Holding Company Act of 1956. As defined in that act, a traditional bank — and there are about 15,000 of them — offers both checking accounts and commercial loans.

However, if an organization does one but not the other, it is not legally a bank. Capitalizing on this, financial giants from American Express Co. to Merrill Lynch & Co. to Beneficial Finance to Dreyfus Corp. have slipped into the banking business without formally establishing a bank. These nonbank bank subsidiaries offer almost all the products of a full-service bank.

At the office of the comptroller of the currency, which regulates federally chartered nonbank banks, more than 300 applications to form such limited-service insti-

tutions are on file. Industry experts also estimate that dozens of other applications to become state-chartered nonbank banks await approval in state banking departments that would regulate them.

Although the existing nonbank banks are scattered, many are in Delaware because of that state's favorable usury and tax laws.

The real action, however, has been in the growth in assets of the nonbank banks.

Greenwood Trust in Delaware, for instance, was a typical community bank until January 1985. Working out of a modest red-brick building with one drive-in teller and one desk for a lending officer, Greenwood Trust's nine employees made loans to local chicken farmers and merchants.

Then Sears, Roebuck got hold of Greenwood. Selling off the bank's commercial loan portfolio to change its status to a nonbank bank, Sears decided to make it the issuer of its new Discover credit

card — and almost overnight Greenwood became a marketing machine. From \$12 million, the bank's assets have exploded to \$2 billion, mostly Discover card receivables.

Deposits, which at the time of acquisition stood at \$10.8 million, have risen to \$1.8 billion, mostly in certificates of deposit sold by Sears' Dean Witter Reynolds subsidiary and money-market deposit accounts that Greenwood Trust offers by mail to more than 15 million Discover card holders.

The growth has been equally dramatic at the Dreyfus Consumer Bank in East Orange, New Jersey. Before it was acquired by Dreyfus Corp. in 1982, the bank, then called the East Orange Community Bank, mostly provided seasonal loans to local shopkeepers.

Stripping off the business loans, Dreyfus first began using its nonbank bank to process and finance home mortgages; it now has an eight-state mortgage operation in

which customers from New York to California can dial a toll-free number to obtain a mortgage application from the New Jersey bank.

Dreyfus then decided to get into the credit card business. Soliciting its mutual fund customers, the bank signed up more than 200,000 credit-card accounts. The Dreyfus Consumer Bank's assets have swollen from \$28 million the time it was taken over, to \$104.7 million.

It is action like this that has op-

erations of nonbank banks worried. Senator William Proxmire, Democrat of Wisconsin and chairman of the Senate Banking Committee, has been the spokesman for supporters of small banks arguing that nonbank banks siphon deposits from local communities by lending to consumers in big cities, where the money is not really needed.

The small banks also fear being wiped out, citing the huge amount of capital and marketing clout of the financial giants that own nonbank banks.

## Thursday's OTC Prices

NASDAQ Prices as of 4:00 P.M. New York City

Via The Associated Press

12 Month High Low Stock Div. Yld. % High Low 4 P.M. CLOS.

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## BUSINESS ROUNDUP

## VW Board Wins Confidence Vote After Scandal

By Ferdinand Proczman  
International Herald Tribune

WOLFSBURG, West Germany — Volkswagen AG's annual shareholders' meeting Thursday proved more boring than boisterous, as criticism of management's performance during a foreign currency trading scandal proved relatively subdued.

Volkswagen's management board won a vote of confidence from shareholders, but, in the meeting lasting nearly 10 hours, they refused to exonerate the performance of former Finance Chief Rolf Selowsky, who resigned in March over the scandal.

The scandal cost the automaker 473 million Deutsche marks (\$259 at current exchange rates), and led to the resignation of its finance chief and the arrest of two of its foreign exchange dealers.

Meanwhile, Volkswagen said its parent company profit for the first half of 1987 rose slightly above the 235 million DM posted in the same period last year.

Provisional estimates indicate that world group profit, which totaled 284 million DM in the first

half of 1986, was also slightly higher, said the managing board chairman, Carl Hahn.

Mr. Hahn said he hoped profits for 1987 as a whole would be roughly in line with last year's results, when world group profit fell 2.58 percent to 580.2 million DM and the parent company net rose 1.76 percent to 485.2 million.

## Renault Looks Toward Brazil

The Associated Press

PARIS — France's state-owned automaker Renault said Thursday that it would like to establish links in Brazil.

Such a move would be aimed at taking advantage of the improved relations between Brazil and Argentina, where Renault already has a plant. Renault, which is recovering after big losses, has been absent from Brazil, South America's biggest car market but one where sales are in decline.

Renault's marketing director, José Dedeurwaerd, said that the company was sounding out a number

of potential suppliers in Brazil. An accord might take the form of a straight supplier arrangement or a partnership, Renault said.

Renault's interest in Brazil follows a joint venture by Ford Motor Co. and Volkswagen AG to oversee their automotive and credit operations in Brazil and Argentina.

Renault is the market leader in Argentina, accounting for one-third of private car sales in 1986. Argentina has been one of the most buoyant markets for Renault this year, with sales surging 21 percent in the first five months of 1987 from the like 1986 period.

Mr. Hahn said world group sales in the first half of 1987 rose about 2.1 percent to more than 27 billion DM from 26.44 billion in the year-ago period. For the parent company, sales climbed 7 percent to 23 billion DM.

Car sales this year would decline in North and South America, but overall sales should match their 1986 levels, he added.

About 4,000 shareholders or their representatives attended the meeting, compared with 1,600 last year.

The vote exonerating the board was expected after a company-commissioned auditor's report released last week absolved the current board members and laid most of the blame for the scandal on Mr. Selowsky. He is not suspected of criminal actions.

Volkswagen's former chief foreign exchange dealer, Bernhard Junger, and Lutz Quaquil, a former VW currency trader, are currently in jail on suspicion of fraud.

West German police have also issued an international arrest warrant for Joachim Schmidt, a former currency broker who is suspected of masterminding the fraud.

But spokesmen for various shareholder groups criticized VW's use of foreign currency trading as a means of generating profits, rather than just protecting the automaker's overseas earnings from exchange-rate fluctuations.

## Norsk Hydro Plans Rights Issue for Investments

Reuters

OSLO — Norsk Hydro A/S plans a rights issue to shareholders of between 3 billion (\$448 million) and 3.5 billion kroner to raise capital for future investments, the company announced Thursday.

Subject to market conditions, the board would propose the largest issue in Norway's history at an extraordinary general meeting in the fall, the company statement said.

The company made its last rights issue in 1982.

The issue's exact form would not be announced until approved by the government, which holds a 51 percent stake in Norsk Hydro.

A company spokesman said the issue was needed to cover huge investments. Investment was estimated this year at just under 11 billion kroner.

The company, which is involved in oil exploration and production, fertilizers and light metals, has extensive financial commitments in the North Sea's Oseberg and Gullfaks oil field development programs.

In the Oseberg North field, the company has announced it will move up development plans five years, from 1995 to 1990, in a move that was seen by industry sources as an attempt to provide orders in the Norwegian yards serving offshore oil.

The first construction contracts for this phase could be placed as early as 1988, the company said.

Norsk Hydro had threatened to postpone development unless the production tax was eased, which now seems likely.

Norsk Hydro has yet to decide how to develop Oseberg North, but earlier had studied a floating unit and a fixed steel or concrete platform.

Development is expected to add about 95,000 barrels of oil daily to an estimated flow of 240,000 from Oseberg's main reservoir, to come on line in 1989.

Norsk Hydro has a 13.75 percent stake in the field. Its partners are the Norwegian state oil company Statoil, Elf Aquitaine Norge A/S, Mobil Exploration Norway Inc., Saga Petroleum A/S and Total Marine Norsk A/S.

Norsk Hydro also is in the midst of a major restructuring of its fertilizer and aluminum plants following a 1986 loss of 324 million kroner, the company's first loss since 1944.

## BUSINESS PEOPLE

## Fujitsu U.S. Unit Names an American

By Arthur Higbee  
International Herald Tribune

Fujitsu America Inc. of San Jose, California, U.S. subsidiary of Fujitsu Ltd., the Japanese computer giant, has named an American to its board in what appears to be the first such move by a Japanese company doing business in the United States.

He is Norman B. Petersen, 56, president of Fujitsu America's Computer Products Group. No Americans are believed to head the U.S. subsidiaries of Japanese corporations.

Mr. Petersen said that in Japan, executives tend to iron out differences in advance, "so the board meeting becomes more of a consensus gathering than a relatively short," compared to U.S. corporate meetings, which can run for hours.

Mr. Petersen, with 31 years in the computer industry, has been at Fujitsu since 1983. He has stuck to his own management style and steadfastly refuses to learn Japanese.

"I consider myself a very good business executive and administrator," Mr. Petersen said. "If I become too Japanese in my thinking, I lose my value."

J.C. Penney Co., third largest U.S. retailer, has promoted David F. Miller, 58, the president, to vice chairman and chief operating officer. No new president was immediately appointed, but two corporate executive vice presidents were named — A. Scott Frablich, 54, already director of stores, and W. Barger Tygart, 51, formerly a regional vice president. Mr. Tygart also becomes director of merchandising.

Industry sources said the chief beneficiaries of the shuffle appeared to be Mr. Miller, who is seven years older than the chairman and chief executive, William R. Howell, 51, and Mr. Tygart.

Dravo Corp. of Pittsburgh, a construction and engineering company, has recruited William G. Roth as chairman, president and chief executive. Mr. Roth, 48, succeeds Robert Dickey 3d, 69, who had returned from retirement in January after Thomas F. Faught Jr., 57, resigned over policy differences. Mr. Roth had been chief executive at Trane Co. a maker of air-conditioning, for seven years when American Standards acquired it in

1985 and made him president and chief operating officer. He quit this February, saying he wanted a chief executive's job.

Forget, Weeks, a Paris-based career consulting firm with offices in London and Geneva, has recruited Alain P. Chainton as a senior consultant in charge of setting up a European network. Mr. Chainton, 53, a Frenchman, formerly managed several subsidiaries of Solex SA, French maker of automobile carburetors.

Moseley Securities Corp. of Boston and New York said its chairman and chief executive, Howard G. Berg, had resigned. Industry sources say he did so because the principal owners, Omar I. Kassem, 35, and Hikmat S. Nashashibi, 44, wanted to stress investment banking, while Mr. Berg, 55, wanted to concentrate on retail business. Frederick S. Moseley 3d, 59, chairman of the parent company, Moseley Holdings Corp., was given the additional title of chairman of Moseley Securities. Mr. Kassem, president and chief executive of the parent, also becomes chief executive of the subsidiary.

## Honda Planning Export of U.S.-Made Motorcycles to Japan

Los Angeles Times Service

DETROIT — In one of the most impressive signs that the rapid rise in the value of the yen is helping to improve U.S. competitiveness, Honda Motor Co. said Thursday that it would begin exporting American-made motorcycles to Japan early next year.

Honda officials also hinted that motorcycles may be the first step in a larger plan to export U.S.-built compact cars to Japan within the next two or three years.

Company officials noted that Honda traditionally tests out new ideas in its motorcycle business.

Successful projects, they said, are often expanded to the automotive division.

Honda officials said the rise in the value of the yen against the dollar has made it possible to produce motorcycles in the United States that are cost-competitive with those built in Japan.

The company said it planned to send an initial shipment of 500 U.S.-built Gold Wing touring motorcycles to Japan in early 1988.

The Gold Wing, with a 1200cc engine, sells for between \$6,700 and \$8,500 in the United States. Shinichi Tanaka, a Honda

spokesman in Detroit, said the company had not yet decided how many motorcycles it would export, but added that it was committed to continuing exports beyond the initial 500.

Honda's U.S. subsidiary produces the motorcycles in Marysville, Ohio, in a plant adjacent to its auto facility. Engines are built in Anna, Ohio.

Honda already exports its Ohio-built motorcycles to 14 countries, including Britain, Australia and Canada. It exports U.S.-built lawn mowers as well.

Honda, which has been expanding its U.S. manufacturing operations over the last few years, began exporting U.S.-built Accord compact cars to Taiwan early this year and is now waiting to see if the yen's value stabilizes in its current trading range to determine whether to go ahead with exports to Japan.

With the yen's rise, the costs of producing cars for export at Honda's Japanese plants have increased to such an extent that the Marysville complex is now on an equal cost footing with Honda's Japanese facilities, company officials say.

## Elsevier Opens Tender, Undeterred by Kluwer's Defenses

By Ronald van de Krol

Special to the Herald Tribune

AMSTERDAM — Elsevier NV, the Dutch publishing group, launched a long-awaited public tender offer for rival Kluwer NV on Thursday, undeterred by Kluwer's defensive plan to merge with another publisher, Wolters Samsom Group NV.

Elsevier, the country's second-largest publisher, offered six of its ordinary shares plus 75 guilders (\$36.52) for each of Kluwer's 2.43 million ordinary shares.

The offer, unchanged from what Elsevier previously said it was prepared to bid, will remain open until Aug. 3. It values third-ranked Kluwer at about 971 million guilders based on Thursday's prices.

Elsevier closed at 54 guilders a share on the

Amsterdam Stock Exchange, up 0.30. At midsession Kluwer was up 3 at 401.

Wolters Samsom, the No. 4 publisher, is expected to make a competing offer soon. In the merger plan, Wolters Samsom said it would offer three ordinary shares for each Kluwer ordinary share.

Elsevier's offer came nearly a month after it first announced plans to take over Kluwer. The acquisition would make Elsevier the largest publisher in the Netherlands and among the biggest in the world.

The original announcement set the stage for a rare boardroom battle in a country accustomed to hostile takeovers.

Analysts said two recent anti-takeover measures by Kluwer involving the issue of millions

of new preference shares effectively ruled out Elsevier's chances of gaining majority control through a public tender offer alone.

But they said Elsevier may decide to fight the anti-takeover measures in court. "There is still a lot of uncharted legal territory in this area," one analyst said.

Soon after Elsevier announced on June 3 that it would be making a bid, Kluwer issued 2.5 million preference shares to a dormant company foundation set up in the 1970s to guarantee independence.

Kluwer also announced the plan to merge with Wolters Samsom, which it privately placed a further 2 million preference shares. Kluwer's preference shares are not traded on the Amsterdam exchange.

## Ford, Goodyear Review Accounts At JWT Group

Compiled by Our Staff From Dispatches

NEW YORK — JWT Group, which is being acquired by WPP Group of Britain, is losing some of its \$60 million in assignments from Ford Motor Co., its largest client, while its third-biggest client, Goodyear Tire & Rubber, said it had begun a review of its \$40 million-a-year account.

Ford did not say how much of its billings — 10 percent of JWT's total last year — it would transfer. A spokesman said the change had been planned for some time. JWT has handled Ford's account since 1943.

Goodyear said that five agencies, including JWT, would be considered for its business.

Eastman Kodak Co. and Philips NV have also threatened to review their accounts with JWT. (NYT, LAT)

## Import Ban Seen as Blow to Toshiba

## But Curbs May Cause Hardship for U.S. Computer Makers

Compiled by Our Staff From Dispatches

NEW YORK — A U.S.-imposed import ban on Toshiba Corp., which violated Western security agreements when a subsidiary sold sophisticated machine tools to the Soviet Union, could severely damage the Japanese electronics and industrial goods company, commerce experts say.

While the proposed import ban is aimed at punishing Toshiba, it could also cause some harm in the United States, especially to companies that depend on Toshiba parts, analysts and company officials said. Many U.S. computer makers rely on Toshiba's high-tech products.

Toshiba is a principal international supplier of advanced computer memory chips.

The Senate voted 92-5 on Tuesday in favor of banning Toshiba and a Norwegian company, Kongsberg Vapentfabrik, from selling most of their products in the United States for two to five years.

Between 1982 and 1984, Kongsberg and Toshiba Machine Co., a Toshiba subsidiary, sold the Soviet Union propeller-milling equipment that will allow Soviet submarines to slip quietly and escape detection.

The Senate's proposed sanctions, attached as an amendment to pending trade legislation, would not become law unless they are accepted by the House and the overall legislation is signed by President Ronald Reagan.

Nobuo Ishizaka, chairman and chief executive of Toshiba America Inc., said Wednesday that a ban on imports would have "numerous incalculable, intangible effects" on Toshiba's business.

The Japanese giant has a broad product line, including power generating equipment, photocopiers, office computers, medical diagnostic equipment, semiconductors, television sets, videocassette recorders, microwave ovens and cellular telephones.

But in most of those categories, analysts said, Toshiba does not seem strong enough for a ban on imports to affect American consumers much.

One exception is laptop computers, with Toshiba making some of the most popular models, and another exception could be in semiconductors.

U.S. companies that do business with Toshiba were trying Wednesday to find language in the legislation that would allow them to maintain their business relationships.

Among other things, the Senate amendment would exempt products that are deemed critical to defense as well as spare parts and components deemed "essential to United States production."

It was unclear Wednesday what goods would receive exemptions. It was also unclear whether the legislation would ban the import of goods such as computers from other manufacturers that include Toshiba parts. Both questions are of critical interest to U.S. companies.

"It will cut both ways. The blanket ban may turn out to be too excessive. However, some signal has to be sent to warn Toshiba that what it did is simply unacceptable," said Richard Fisher, a policy analyst for the conservative Heritage Foundation in New York.

Toshiba is Japan's third-biggest electronics manufacturing company. Officials in Tokyo said the company sold \$2.76 billion worth of goods in the United States last year.

Officials at Toshiba America in New York put the figure higher, saying exports to the United States totaled \$3.4 billion in the year ended March 31.

The company employs 4,000 people in the United States. Only 150 U.S. employees of Toshiba are Japanese nationals, Toshiba officials said.

All of Toshiba's U.S. operations rely heavily on parts imported from Japan and thus would appear to be endangered by the legislation.

The most critical goods Toshiba sells to the United States are sophisticated computer memory chips, known as 1-megabit DRAMs, that are used in the latest generation of computers. (AP, NYT)

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## SPORTS

# Poland's Piasecki Takes Lead in Tour de France, Adding to Race's Ironies

By Samuel Abe  
International Herald Tribune

BERLIN — For once, an unexpected leader of the Tour de France did not tell the familiar yet touching story of how, when he was a boy, he dreamed of riding one day in the world's greatest bicycle race and wearing the leader's yellow jersey.

The unexpected leader Thursday was Leszek Piasecki, who grew up in Poland. There, the major bicycle event is the Peace Race, which is staged in East Germany, Czechoslovakia, Poland and, sometimes, the Soviet Union.

Piasecki rode in, and won, the Peace Race. That victory helped him win a place on the Del Tongo team in Italy in exchange for a big payment to Polish sports authorities.

But, in another of the political ironies that have marked the Tour de France's start in West Berlin, the 25-year-old Piasecki found himself being cheered by thousands of West Berliners while in communist East Berlin, where bicycle racing is a major sport, he went unmentioned. There, this year's Tour de France is officially a non-event because of the political rivalry between the two sections of the divided city.

Piasecki took the lead in the day's first stage, a 105.5-kilometer (70-mile) jaunt through the streets and parks of West Berlin. He finished sixth overall, in the same time as the winner, Nico Verhoeven of the Super Confex team: 2 hours, 11 minutes and 33 seconds. That, plus his second place in Wednesday's prologue, that put Piasecki atop the 207-km field in least elapsed time.

The Poles then retained the jersey in the afternoon stage, a 40.5-kilometer team time trial, or race against the clock, in which the time of a team's fifth rider applies to all of its first five riders.

In the time trial, Piasecki's Del Tongo team showed its strength by finishing second among the 23 teams in the Tour. The Carrera team from Italy won the race in a time of 44 minutes 50.04 seconds, or at a speed of 54.6 kilometers an hour. Del Tongo was clocked at 44:58.95, followed by Panasonic from the Netherlands, Toshiba from France and Systime U of France.

Carrera's victory put two of its riders right behind Piasecki in the overall standings: Guido Bontempi at 13 seconds back and Stephen Roche 19 seconds behind.

As he pulled on his second yellow jersey after the afternoon race, Piasecki was radiant, and did not compare his standing to other victories, including the Peace Race in 1985 and the world championship road race for amateurs the same year.

Those two triumphs attracted the attention of many teams in the West. Del Tongo won his services because it has the only other Pole authorized to ride in the West, Czeslaw Lang, and because its secondary sponsor is Colnago, an Italian manufacturer of quality racing bicycles.

For a large shipment of Colnago bicycles and other equipment, the Polish cycling federation agreed to let Piasecki leave in 1986. He won five times that year, most importantly the Beraschi Trophy, a two-man team race in Italy. This year had been uneventful until Thursday.

The Tour de France, which ends July 26 in Paris, will leave West Berlin early Friday, an off-day that will allow the teams to fly to Karlsruhe, West Germany, for another two stages in that country before they reach France late Sunday.

While in West Berlin, the riders got a full look at its sights and monuments. The morning stage began in front of the Reichstag, the restored parliamentary hall of the Nazi era, which abuts the Berlin Wall in the British sector. Another view of the wall was offered in the team time trial, which led through the Spandau area on a road paralleling the electrical fence, no man's land and watch towers that separate Berlin.

Finally, both stages finished in John Kennedy Platz, where the former U.S. president was welcomed by the city by exclaiming, "Ich bin ein Berliner" — "I am a Berliner."

2d-Fastest Mile Run

By Morocco's Asouita

HELSINKI — Said Asouita of Morocco ran the second fastest mile in history Thursday, 3 minutes and 46.76 seconds, at a Grand Prix track meet.

He just missed the world record of 3:46.32, set by Steve Cram of Great Britain two years ago in Oslo, but set national and African records as he took the lead for good with one lap left.

Markus Hakenstein of Switzerland was the runner-up, in 3:55.67, while Sydney Marce, the U.S. record holder in the 1,500, 2,000 and 3,000 meters, finished third in 3:55.99.



Chris Evert, returning a shot by Martina Navratilova, could not stop the defending champion from winning, 6-2, 5-7, 6-4.

# Navratilova, Graf to Meet in Final

The Associated Press

WIMBLEDON, England — Martina Navratilova defeated Chris Evert in a tough, three-set match Thursday, then Steffi Graf overpowered Pam Shriver to join the defending champion in the women's final at the Wimbledon tennis tournament.

Navratilova, the No. 1 seed, mixed steady play from the baseline with her usual serve-and-volley power game, then threw in a dash of acrobatics as she beat Evert, 6-2, 5-7, 6-4.

It was the 73d time they had met and, Navratilova said, it "might have been the best match we've ever played."

Graf, the 18-year-old second seed from West Germany, who beat Navratilova for the French Open title a month ago, scored her biggest grass-court victory so far, a 6-0, 6-2 rout of the fifth-seeded Shriver.

That ran her winning streak to 45 matches. In Saturday's final she has a chance to win her eighth tournament in a row, and to keep Navratilova from making history on the surface she likes best.

Navratilova has won every previous Wimbledon final she has reached. If she does again, the Czech-born, U.S.-naturalized left-hander will have a record sixth consecutive championship and a record-equaling eighth overall, as well as her first tournament victory of a relatively disappointing year.

## WIMBLEDON TENNIS

In Friday's men's semifinals, the second-seeded Ivan Lendl, another Czech now living in the United States, will play fourth-seeded Stefan Edberg of Sweden, while the surprise of the tournament, 34-year-old Jimmy Connors of the United States, seeded No. 7, will meet 11th-seeded Pat Cash of Australia.

Both Navratilova and Evert were cheered loudly by the spectators. "I think they appreciate somebody who really gives it everything they've got every day," Navratilova said. "Maybe part of it is realizing that Chris and I are coming toward the end of our careers. They probably won't get to see us that much."

This was a tough match worth seeing, and when Navratilova saved break point and ended it with a cross-court volley, she skipped in joy.

It had not been the usual grass-court battle of exploding serves and charges to the net. Both players stayed back in the early going, with Evert, a three-time Wimbledon winner, using lobs to keep Navratilova out of volleying range.

But Navratilova had the bigger game from the baseline, too, and broke for a 4-2 lead in the first set with passing shots and occasional volley winners. Evert appeared ready to break back in the seventh game, but Navratilova held with the help of an acrobatic shot that

would have made two-time men's champion Boris Becker proud.

Evert slammed a forehand volley toward the far corner, on Navratilova's forehand, the shot landing just inches inside the line and skidding away. But Navratilova ran it down and, with a flick of her wrist, hit the ball back cross-court for a winner as she dove into a forward roll.

In the seventh game of the second set, too, Navratilova went tumbling to the turf, this time close to the net. She chipped a backhand down the line, Evert returned a backhand cross-court and again it looked like a sure winner. Again, Navratilova was there with her forehand, diving to strike a winning volley.

But that bit of acrobatics could not save the second set, as Evert broke in the 12th game on a rare error by Navratilova.

The third set opened with Navratilova breaking serve on a forehand net cord and holding for a 2-0 lead in two games of brilliant grass-court rallies, one and then the other player moving her opponent back and forth, up and back. Navratilova usually had the last move.

They held serve from there, with Evert winning her second game aided by a smash volley that underscored the many hours these two have spent on opposite sides of a tennis net. An exchange of volleys had Navratilova isolated on her backhand side and Evert facing an open court. Rather than go that

way, though, she drove the ball toward Navratilova's feet, then pointed to the opposite service area as if to say, "I know you thought I was going there."

The two close friends joined the crowd in laughter, and Navratilova used her racket as an impromptu stool while she considered the moment with a shake of the head.

Evert guessed right to return a passing shot for a cross-court volley winner as she held for 4-3, but Navratilova held for 5-3 on an ace. Then Evert held again as Navratilova netted a backhand, and Navratilova was serving for the match.

Evert took a 30-0 lead on Navratilova's serve, with a netted volley and a forehand return winner. Two volleys by Navratilova brought it to 30-30, before Evert moved to break point on a backhand service return.

Navratilova saved break point with a service winner, moved to match point when Evert hit a service return long and wrapped it up with an open-court backhand volley.

Shriver never broke Graf's service, and held her own only in the first and fifth games of the second set. She had a break point in the eighth game, after Graf wasted two match points with errors, but sent a service return long and never gave herself another chance.

Graf moved to match point for the third time when Shriver hit a forehand approach shot long, and won on the netted service return.

# Win or Lose, This Has Been Jimmy Connors's Tournament

By John Feinstein  
Washington Post Service

WIMBLEDON, England — There is still no reason to believe that he is going to win a third singles title at the All England Club. And yet, 124 men are gone from this year's tennis tournament, 4 are left and the one that everyone is rooting for is the oldest of them all, Jimmy Connors.

A Wimbledon victory for Connors, romantic as it would be, is not likely. The other three men who have reached Friday's semifinals — Ivan Lendl, Stefan Edberg and Pat Cash — are younger, stronger and at the top of their games.

But even if he doesn't win, this will be remembered as Jimmy Connors's Wimbledon. Wednesday evening, 24 hours after a comeback they will talk about after Connors stops playing — if he ever does — he faced a more daunting opponent, Slobodan Zivojinovic of Yugoslavia.

And, on a day when the very act of getting his 34-year-old body out of bed should have earned him an ovation, Connors blew Zivojinovic off Court 1, beating him by a score of 7-6 (7-5), 7-5, 6-3. Zivojinovic, who is 6 feet 5 inches (1.95 meters) and weighs 225 pounds (102 kilograms), served 25 aces. No matter. Connors returned serve when he had to and was never in trouble on his own serve. Zivojinovic had one break point in the match. He could not take advantage of it.

"I can't remember the last time I played three sets without losing my serve," Connors said. "I felt fine physically today. What I was worried about was being mentally tired. Last night I had to turn off my phone because of all the calls. But I slept well, felt fine when I went out to practice and felt good on the court."

Connors's next opponent will be Cash, the Australian who may be playing the best tennis of the group. Wednesday, Cash made third-seeded Mats Wilander of Sweden look helpless, ousting him from Wimbledon for the third time in four years, 6-3, 7-5, 6-4.

"The way he played today there was nothing I could do," Wilander said. "For me to beat him on grass, when his game is like that, I would have to be a different player."

Whether that player will be Connors remains to be seen. He beat Cash at the Queens's Club Tournament in London three weeks ago, but that was a best-of-three match and before Cash caught fire

here. But it also was before Connors became Houdini.

"I think Connors can win," Zivojinovic said. "If he plays the way he did tonight, he can beat anybody. I was very surprised he could come back and play the way he did after the match the night before. He is 35 (on Sept. 2) but he is out there fighting like he is 18."

Tuesday, in the five-set match against Mikael Pernfors of Sweden, "when he was behind, 6-1, 6-1, 4-1, he could just give up and say, 'I'm sick of everybody, I've done enough, I'll just go home now,'" Zivojinovic said. "But he wouldn't do that. Then, today, he just played a hell of a match."

Connors was greeted, as he came on court, like a gladiator returning from a conquest, which was proper. In the locker room, other players had come up time and again to congratulate him on Tuesday's escape.

"Their reaction was respect and amazement," Connors said. "That was nice. Any player wants the respect of his peers."

He has always had that. Now, though, he has gained a new level, not just with the players but with the fans. Even the English, who take to gentlemen more than to street fighters, have adopted him. After 16 Wim-

bledons, 11 semifinals and 78 singles victories, he has won them to his side. They almost will him to victory against Pernfors and, Wednesday, they were his partners from the start.

"That is a normal thing I think," said Zivojinovic. "If I was in the stands, I would be for Jimmy, too. To me, he is the greatest player. He doesn't play for the money, he plays because he loves the tennis."

He loves it all. The tennis, the adulation, the mano-a-mano matches. Zivojinovic was a heaven-sent opponent. Another Pernfors, a baseliner, a chaser, might have been too much to handle. This was Connors' third match in 48 hours and the first two were not easy.

But with Zivojinovic, Connors didn't have to do a lot of running. On some points, he just watched the ball blow past him. On others, he put a return in play and, soon, the point was over.

"It was a lot different match than Pernfors," he said. "Most of the points were 'boom-boom-boom,' one way or the other. For a while, I was trying to blast returns back. Then I changed up and dumped a few at his feet. I think I mixed things up pretty well."

"I guess if you compare me to an old car, I'd be one of those that starts out slow, in

first gear, kind of goes choo choo a little and kicks into second. It takes a while sometimes, but I get going."

And what kind of car did he think he was? Connors thought a moment and smiled. "I don't know," he said. "But I guess I have a hell of an engine."

An engine that goes on and on and on.



Jimmy Connors, even at age 34, had something to point to after beating Slobodan Zivojinovic to gain the Wimbledon semifinals.

## Princeton Crew Out Rows Vesta

The Associated Press

HENLEY-ON-THAMES, England — Princeton University's eight, who had not rowed together competitively before, won their opening contest Thursday in the Ladies' Challenge Plate of the 148th Henley Royal Regatta by beating the British crew, Vesta, that Wednesday had upset the previously unbeaten University of Pennsylvania.

Yale posted a two-length victory in its Challenge Plate race, beating KSR Nord of the Netherlands.

Princeton won by two-thirds of a length, its time of 6 minutes, 29 seconds only six seconds off the record set by Brown University of the United States three years ago.

Bill Sheehan, Princeton's No. 6 oarsman, said, "We knew Vesta would try to charge at us, so we tried to row at about 90 percent of our capacity for the first half of the race. We didn't take it up when they came through at us, but waited, then took 10 fast strokes a little later on."

# Sebra Fans 14 Cubs, Loses a 3-Hitter

Compiled by Our Staff From Dispatches

MONTREAL — Jerry Mumphrey, with a one-out home run in the ninth inning Wednesday night, got only the third hit off the Montreal Expos' starting pitcher, Rob Sebra, who had struck out a career-high 14 batters. But it gave the Chicago Cubs a 1-0 victory, as their starter, Greg Maddux, pitched a four-hitter for his first complete game in the major leagues.

"That was the best-pitched game I've ever seen anybody lose," said the Expos' manager, Buck Rodgers.

The winning hit, Mumphrey's sixth homer this season, came on a 3-1 pitch and gave the Cubs their fifth victory in six games in Montreal this season.

"It was a low fastball and it wasn't a bad pitch," Sebra said. "But that doesn't really make much of a difference because he hit it out."

"He knew I didn't want to walk him in that situation, so he was sitting on my fastball. It's hard to take."

## BASEBALL ROUNDUP

After yielding a one-out single to Mumphrey in the first inning, Sebra retired 20 of the next 22 batters, 11 by strikeout, with five straight during the fifth and sixth innings.

Maddux, who, at 21 is the youngest player in the National League — Sebra is 25 — struck out two, allowing all four of the Expos' hits in the first seven innings. Montreal had a chance to score in the fourth, when Tim Lincecum hit a one-out double and took third on an error by center fielder Dave Martinez, but Hubie Brooks lined out to the mound and Maddux doubled Raines off third.

Padres 4, Dodgers 0: In Los Angeles, Kevin Mitchell drove in three runs with two homers to back Eric Show's four-hitter for San Diego.

Mets 9, Cardinals 6: In New York, Gary Carter led off the sixth with a homer, pinch-hitter Len Dykstra followed with a two-run single

and Carter hit a two-run homer in the seventh against St. Louis.

Braves 8, Giants 3: In San Francisco, Andres Thomas and Ozzie Virgil each drove in two runs for Atlanta.

Phillies 11, Pirates 4: In Philadelphia, Juan Samuel hit two two-run homers and pitcher Shane Rawley tripled in two runs against Pittsburgh, helping their team extend its winning streak to five games. The Phillies swept the four-game series at Veterans Stadium, but it was their first four-game sweep since 1982, against San Francisco, and the first over Pittsburgh since 1977.

Reds 6, Astros 4: In Cincinnati, Ron Oester's two-run single during a four-run sixth helped hand Houston its third straight loss; the Astros are 3-9 against the Reds this season, 1-5 at Riverfront Stadium.

Yankees 6, Blue Jays 1: In the American League, in Toronto, Wayne Tolleson singled in Claudell Washington from third base to start a five-run 12th inning that moved New York three games ahead of the second-place Blue Jays in the East.

The Yankees have won 12 of 16 since the Blue Jays swept a three-game series in New York.

Brewers 13, Tigers 2: In Milwaukee, Bill Wengert held Detroit to eight hits while his teammates pounded out a season-high 18, Greg Brock, B.J. Surhoff and Mike Felder each driving in three runs.

The Tigers' Darrell Evans hit his 32d homer in the majors, surpassing Joe DiMaggio for 32d place on the all-time list.

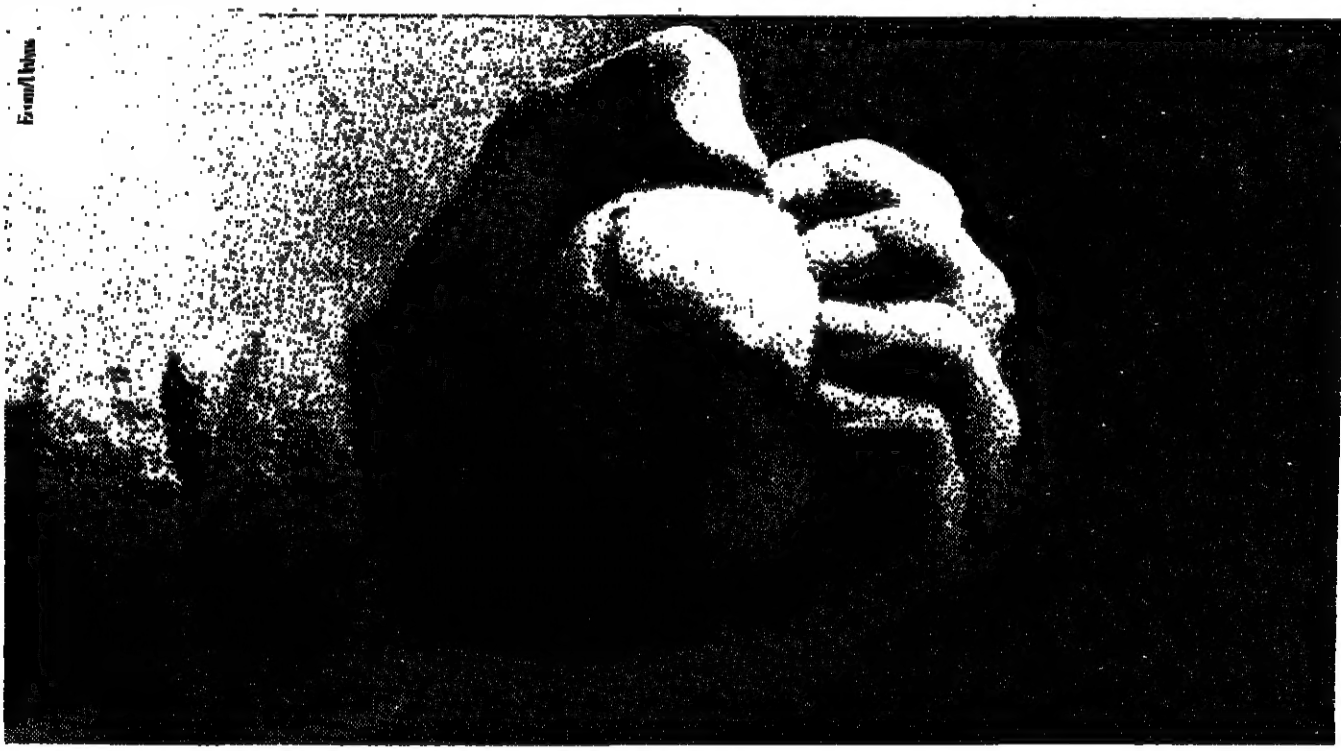
Red Sox 6, Baltimore 2: In Boston, Roger Clemens, although failing to strike out a batter for only the third time in his career, pitched a six-hitter against Baltimore.

Angels 10, Indians 5: In Cleveland, Doug DeCinces drove in four runs and Devon White scored four, drove in three and got four hits for California as Jerry Reuss, 34, remained unbeaten in the AL. He was 0-5 in the NL this year before the Reds released him June 13.

White Sox 5, Athletics 3: In Chicago, Greg Walker's two-run homer with two out in the bottom of the 10th gave his team a three-game sweep of Oakland.

Rangers 7, Mariners 3: In Arlington, Texas, Pete O'Brien's two-run homer in the third led to the defeat of Seattle as Charlie Hough pitched six innings for his 93d triumph as a Ranger and tied Ferguson Jenkins as the team's all-time winner.

Royals 4, Twins 3: In Kansas City, Missouri, pinch-hitter Jim Eschschick's double beat Minnesota, scoring Buddy Bane from first with one out in the ninth. It was the second hit in 12 at-bats for Eschschick, who has battled a nervous disorder, since the Royals called him up June 17 from their Class AA farm club at Memphis. (AP, UPI)



## SCOREBOARD

### Baseball

#### Wednesday's Major League Line Scores

Wednesday's Major League Line Scores									
AMERICAN LEAGUE									
Detroit	000	000	002	- 3 0 0	and Dempster, Bonds (2).	W—Ramos, 3-4.	L—	Corlison, 5-4.	Sw—Steale, 7-6.
Minnesota	100	217	000	- 23 10 8	White (16).				
Toronto	Thurmond	102	Henningsen	000	100	000	000	0- 0 10 1	
Mariners	000	000	000	0- 0 0 0	Chicago	100	000	000	0- 0 10 1
Washington	7-7	L—Terraiff, 4-6.	HR—Detroit.		Chicago	100	000	001	2- 0 10 1
De. Evans	112				Shewart, Lahrer (8), Howell (18), Eckersley				
Yankees	000	000	000	0- 0 0 0	(10) and Shapovalov (2) pitched for the White Sox.				
John	000	000	000	0- 0 0 0	(11) Fisk, Wilmis, 3-4.	L—Howell, 5-2.			
Yankees	000	000	000	0- 0 0 0	HR—Quirk, Jackson (11).	Chicago, 10-0.	Witt		
Yankees	000	000	000	0- 0 0 0	(14).				
Yankees	000	000	000	0- 0 0 0	Minnesota	000	020	000	0- 0 10 1
Yankees	000	000	000	0- 0 0 0	Kranz	000	000	001	- 7 0 0
Yankees	000	000	000	0- 0 0 0	Viola, Albertson (3) and Butera, Lunder				
Yankees	000	000	000	0- 0 0 0	(8); Staderer, Grogan (10), Parr (8), Galt				
Yankees	000	000	000	0- 0 0 0	harty (10) and Galt (10) pitched for the White Sox.				
Yankees	000	000	000	0- 0 0 0	Altierio, 4-3.	HR—Kranz (3), Brant (16).			
Yankees	000	000	000	0- 0 0 0	Seattle	110	000	007	- 0 0 0
Yankees	000	000	000	0- 0 0 0	San Diego	100	000	000	- 0 0 0
Yankees	000	000	000	0- 0 0 0	Texans	110	000	007	- 0 0 0
Yankees	000	000	000	0- 0 0 0	Thompson, Willardson (4) and Vough				
Yankees	000	000	000	0- 0 0 0	(10), Russell (7) and Petraitis, W				
Yankees	000	000	000	0- 0 0 0	Howell, 9-3.	L—Morgon, 6-4.	HR—Temes		
Yankees	000	000	000	0- 0 0 0	O'Brien (18), McDowell (7).				
Yankees	000	000	000	0- 0 0 0	NATIONAL LEAGUE				
Yankees	000	000	000	0- 0 0 0	Atlanta	000	000	000	- 0 0 0



## OBSERVER

## Wagner, Rock 'n' Ring

By Russell Baker

NEW YORK — Americans still like to argue about rock music. My position is simple. I'd rather argue about it than listen to it.

The quarrel about rock has received fresh blood from Professor Allan Bloom's book, "The Closing of the American Mind." Which describes it as a music aimed at promoting and exploiting youth's natural weakness for brutishness.

I have had rock music aimed at me ever since my kid sister first put "Drinking Wine Spodee Ode" on the electric Victrola 40 years ago. I well remember that being sung, I showed me the future roaring before me, still remember asking her: "What in the world are they screaming?"

"Drinking wine spodee ode," she replied. I listened. Sure enough, that's what they were saying, and that's all they were saying, over and over: "Drinking wine spodee ode."

It was just silly kid-sister stuff. Still, it had kind of a catchy — you know — a beat.

Recalling that day, I can still hear the racket of the thing in my memory, but I can't hum the music or whistle it. Even the more compelling rock that came along in the 1950s is like that. Remember going to see "The Blackboard Jungle" and the lights going dim and then, suddenly — wow! — Bill Haley's "Rock Around the Clock" shaking the theater and everybody in it?

That one was unusual. It had words you could hear through the music, and the music was truly something. You remember that sound and how it affected you, but I'll bet you can't whistle it.

This can be said of, oh, maybe 98 percent of all rock of the First Whistler of the New York Philharmonic to leave the theater humming the music.

OK, first to exceptions. I hate to mention the Beatles because so many of the highbrow rock critics throw up their hands when you try to ridicule by saying, "But you, of course, would naturally say 'the Beatles,' and you doubtless think 'Sergeant Pepper' was superior to 'Rubber Soul.'"

So my apologies for mentioning the Beatles. However, not only could you understand the lyrics of most Beatles songs, you could also whistle or hum quite a few. I am humming seven or eight right now as I write.

Don't get me going on the Rolling Stones. Not even the First Whistler of the New York Philharmonic could whistle "Can't Get No Satisfaction." There's nothing there to whistle. As for the Stones' lyrics, you might as well listen to subway crashes, or the music of Richard Wagner.

"Not as bad as it sounds," was Mark Twain's judgment on Wagner, and the judgment may be just as apt for rock music, for Wagner and rock have a lot in common. You can't hum Wagner either, and without a libretto you can't make much sense of what's being said. Like the rockers, Wagner did not captivate his passionate devotees with words or melody, but with the corymbant throb of the music.

When young people get angry about criticism of rock they often reply that rock is their music and that old folks whose music it replaced are either sour about being passed or lack the tolerance to listen to the new. What's interesting about this argument is the insistence that a rock generation possesses a sense of what's being said. Yet it is not there, that is the way the music of Jerome Kern, Cole Porter, Richard Rodgers, Irving Berlin, et al., was the music of an earlier generation. Because it was music that could be hummed, whistled, even sung by unskilled voices, an earlier generation could take that music with them wherever they went.

Rock belongs to machinery. Without records, tapes, cassette players, stereo speakers, radios, television sets, you can't make rock music. You can't whistle it, or hum it, or sing it. Without machinery, it cannot be yours.

The same is true for Wagner. You can walk the beach and hum Mozart's "Don Giovanni" or whistle Verdi's "La Traviata," but without machinery Wagner's "Ring" opera cannot be yours.

In my game book, this is another strike against both rock and Wagner. I hate machinery at the beach. Rubber Soul.

New York Times Service

By John Noble Wilford

New York Times Service

NEW YORK — Garrett Hardin, the ecologist, biologist and author, walked into the room with the help of metal crutches (he had polio as a child), and by all appearances he could surely be counted on as a conventional believer in the virtue of human charity. He has smiling eyes and a friendly face, and someone said he could be taken for a beloved small-town minister. In a biographical note, he has described himself as a Republican, a Unitarian and a father of four. So the words of his harsh message could hardly be more jolting.

"There's nothing more dangerous than a shallow-thinking person," Hardin said in a recent interview. "God, he can cause a lot of trouble."

As a latter-day Malthusian, who believes that runaway population growth will lead to misery and ruin, Hardin was arguing that the gifts of food to famine-wracked Ethiopia probably do more harm than good. Like many poor countries, he said, Ethiopia has violated a cardinal principle of ecology: its population exceeds its carrying capacity. Its developed resources to produce food and wealth. "Since Ethiopia has far too many people for its resources," he said, "if you give food and save lives and thus increase the number of people, you increase suffering and ultimately increase the loss of life."

To those familiar with Hardin's thinking and writings over the years, the blunt words are characteristic. He is accustomed to attacking taboo subjects, whether the environment, abortion or the Western world's economic and social progress. In a series of lectures this month at the American Museum of Natural History in New York City, he showed that he has lost none of his zest for intellectual combat.

Hardin is now 72 and a professor emeritus of human ecology at the University of California at Santa Barbara, where he had taught since 1946. He was a leader in the fight for legalized abortions. His theories, especially his interpretation of the limits to growth in a finite world, served as environmental underpinning to the

environmental movement in the 1960s and 1970s. The most recent of his dozen books is the 1985 work "Frontiers Against Folly: How to Survive Despite Economists, Ecologists and the Merely Eloquent."

He still sprinkles his writing and conversation with the maxims that are his trademark. They are drawn from ecology but are freighted with political and economic implications. "You can never do just one thing," "Not to act is to act." And his favorite: "Thou shalt not violate carrying capacity."

In his lectures this month, he defended Malthusian theory, which has been discredited by most economists, as a "rational view of population dynamics."

At the end of the 18th century, Thomas Robert Malthus, an English clergyman and economist, postulated that population naturally tends to grow "geometrically." In a finite world this means the per-capita share of the world's goods must steadily decrease. But a kind of equilibrium is maintained, he said, by war and pestilence or, finally, by famine that "with one mighty blow, levels the population with the food of the world."

Since the time of Malthus world population has grown from 900 million to about 5 billion, without quite the dire consequences he had predicted. Malthus had failed to recognize the importance of technology in raising the set point on what Hardin calls the "demostat." This led many economists to believe that Malthus had been disproved, and it encouraged the vision that, with modern technology, bigger populations could be accommodated, perhaps even with an improved standard of living.

As Hardin noted, Malthus has been denounced by both liberals, "because of his pessimistic view of human nature," and conservatives, "because he disparaged perpetual growth."

Much the same could be said of Hardin, for reasons perhaps made clearer in a 1968 essay, "The Tragedy of the Commons," summed up his ecological basis for his conviction that population growth cannot be permitted to continue indefinitely.



Hardin, who decries aid to Ethiopia: A shallow-thinking compassionate person "can cause a lot of trouble."

Hardin illustrated the concept of carrying capacity with calculations by a 19th-century English mathematician, William Lloyd. These showed how a community pasture, or commons, would be overgrazed if each herdsman was allowed to decide the number of cattle he would graze there.

If, for example, a herdsman decided to add one too many cows to the commons, all the profit from the additional cow would be his, while the other herdsman would share the losses resulting from the overgrazing of the land. Soon the others would follow his example, each acting rationally to maximize his gain.

"There is the tragedy," Hardin wrote. "Each man is locked in a

system that compels him to increase his herd without limit—in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons."

Although environmental activists often treated the essay as gospel, some have objected to Hardin's premise that the Earth is a closed, isolated ecosystem. They argue that the inexhaustible supply of solar energy could counteract the effect of the second law of thermodynamics, which is that in an isolated system useful energy is always decreasing. Barry Commoner, a biologist at Queens College of the City University of New York, made this point in a recent article in The New Yorker: "ultimate limit on economic

growth," he wrote, "is imposed by the rate at which renewable solar energy can be captured and used." Hunger and overpopulation, he said, "are signs of economic and political problems that can be solved, humanely, by economic and political means."

This was, in part, a response to another of Hardin's essays, "Living on a Lifeboat," which aroused a chorus of criticism. According to Hardin's "lifeboat ethic," if a country produces more people and appeals for help to keep from sinking, others should ignore the appeal and concentrate on keeping their own boats afloat. This is the basis for Hardin's opposition to sending food to Ethiopia because, he said, it would only contribute to overpopulation.

The "fatal flaw" in this reasoning is that excess population is a result of poverty, not the other way around, argued Arthur S. Leonard, executive director of Bread for the World, a public-policy organization in Washington.

In countries without adequate forms of social security, Simon said, the desperately poor have "as many children as they can to assure they will have surviving sons to support them in their old age." In places where the poor are improving themselves, he added, "they begin voluntarily to have fewer children."

Beyond that, he said, the "lifeboat ethic" is "just not morally acceptable."

Many of Hardin's critics note that the world produces more than enough food to feed the world population today. The problem, they argue, is the uneven distribution of the food supply, which is a political and economic one.

If the criticism bothers him, Hardin does not show it. In the interview, he said: "When you propose doing something, ask if it will help not just for the moment, but for the future. Most aid does more harm than good."

The overgrazing issue, he said, is that people cannot continue to violate the ecological principle of carrying capacity and expect technology to assure endless resources. "Anyone who believes that," he asserted, "should have no trouble believing in perpetual motion machines."

## PEOPLE

## 11-Year-Old Boy Pilots Plane Across the U.S.

Patched on foam cushions so he could see out the window of his Cessna 210, the 11-year-old pilot John Kevin (Hank) Hill ended a week-long trip across the United States with a flawless landing Wednesday at National Airport in Washington. John Kevin's flight instructor, Mark Fields, accompanied him on the plane trip, which began in Los Angeles because the Federal Aviation Administration forbids anyone under 16 from flying solo. Fields said he never took control of the plane. Since John Kevin took a \$20 plane ride over Dallas two years ago, he's been "hooked" on planes. He already has logged 260 airborne hours.

Leonard Bernstein will conduct the Orchestra de Paris in a special fund-raising concert July 22 honoring the celebrated music teacher Nadia Boulanger. Boulanger, who died in 1979 at the age of 92, has long been considered a major influence on the development of modern American music. Her teaching left lasting impressions on the likes of Aaron Copland and Virgil Thompson, among many Americans who studied music in her tiny Paris apartment. The proceeds will benefit the School of American Art in Fontainebleau, where Boulanger taught more than 60 years.

Peter Fonda once was taken into custody for draft evasion but now he's helping to organize the Fourth of July "Welcome Home" concert for Vietnam veterans in Washington. "I went for my draft and when I was 16 so I could drink beer," he said. "It didn't even occur to me that I might be asked to go." The time to go came when he was working in London and three sergeants from NATO forces showed up to arrest him for draft evasion. "They were going to put me in jail and charge me a \$10,000 fine for draft evasion."

More than 900 Illinois residents were honored Wednesday for attaining the age of 100, more than were found in any other state to be celebrated on the first National Centennials Day. Illinois' oldest resident among the 928 centenarians receiving certificates of lifetime achievement is Joseph Martin, 113, Costello said.

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